# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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**Zia in bid for fresh dialogue, Page 3**

## NEWS SUMMARY

### GENERAL

## Israel imposes 3-month freeze

**Israel has embarked on a three-month wage and price freeze. Its success in reducing 800 per cent annual inflation could determine the fate of the national unity Government.**

Finance Minister Yitzhak Modai hailed the plan as a turning point on the serious economic deterioration of recent years. The prices of all goods and services are frozen and wage earners were giving up part of the monthly automatic compensation for inflation. The Government has also frozen all taxes and will bring down interest rates.

Meanwhile Israel has accepted Lebanon's request to postpone the opening of talks on the withdrawal of Israeli from Lebanon which were due to begin today. Page 3

### Pits 'may stay out'

Leaders of the UK National Union of Mineworkers (NUM) are expected today to reaffirm their strike action at a special delegates conference. But working miners are hopeful that there will today be a sharp increase in the number of men returning to work. Page 16

### Civil war warning

Bangladesh opposition leader Begum Khaleda Zia, widow of assassinated former president, Ziaur Rahman, warned of civil war if the country's military rulers did not hold elections to return the country to democracy.

### Nicaragua election

Nicaragua went to the polls for the first time since the overthrow of the Somoza dictatorship in 1979. The ruling Sandinistas look assured of victory. Page 2

### Flick link question

Spain's conservative opposition, Coalition Popular, is to ask a parliamentary question over published reports that DM 4m ($1.3m) of subsidies from the Flick Foundation, under investigation in West Germany, were transferred to Spain's ruling Socialist party. Page 2

### Sino-Soviet talks

China and the Soviet Union have agreed to continue negotiations on normalising their relations, despite the failure of the latest meeting to make substantial headway. Page 3

### W. German protest

A previously unknown group of anarchists in West Berlin protested against U.S. military presence and policies by placing burning tyres and concrete blocks on a railway to stop a U.S. military train.

### Mayor arrested

Vito Ciancimino, former mayor of Palermo, Sicily, has been arrested for alleged links with the Mafia and illegally exporting capital.

### IRA warning

Gerry Adams, president of Sinn Fein, the Irish Republican Army's (IRA) political wing, described the IRA bomb attack on the British Cabinet as a blow for democracy and pledged to continue the campaign "for the restoration of Irish democracy." Page 7

### Iran demonstration

Thousands of people demonstrated outside the former U.S. embassy in Teheran on the fifth anniversary of its invasion by radical Iranian students.

### Swede's rally win

Stig Blomqvist of Sweden took the 1984 World Drivers' title when he won the Ivory Coast rally ahead of Audi Quattro teammate Hannu Mikkola of Finland.

### Trophy yacht

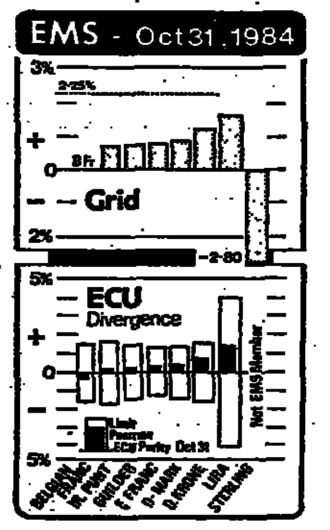
The Australian Government is to pay A$2m ($1.6m) for Australia II, the yacht that last year captured the America's Cup trophy the U.S. had held for 132 years.

### BUSINESS

## China begins to regroup airlines

CHINA has begun a radical reorganisation of its civil aviation system to counter chronic inefficiency, mismanagement and excessive bureaucracy. Five new independent airline companies and some smaller regional airlines will be formed to provide domestic and international air services, ending the monopoly of the Civil Aviation Administration. Page 16

CURRENCY movements were restricted within the European Monetary System last week because of




the closure of many markets on Thursday and Friday for public holidays. The Danish krone remained the strongest currency bound by the 2¼ per cent limit, followed by the D-Mark. The latter received support from the dollar's weaker trend, although there appeared to be little concerted commitment ahead of the U.S. Presidential election tomorrow. The Belgian Franc remained the weakest member, but was comfortably within its diverence limit.

*The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.*

FRANCE has closed for five months its military uranium enrichment plant at Pierrelatte in the Rhône Valley, to save electricity costs. Page 2

MEMBERS of the Organisation of Petroleum Exporting Countries (Opec) voiced doubts about the effects of the decision to reduce their collective production ceiling in an effort to stabilise oil prices. Page 3

ITALIAN central bank governor Dr Carlo Ciampi said the Government would not succeed in its battle against inflation unless there was greater discipline in containing the public deficit and labour costs. Page 2

BANK OF CHINA is expected to make its first Samurai bond issue this week of Y20bn with a 10-year maturity. The issue is the Chinese Government's first public foreign bond since the Communists took power in 1949. Page 16

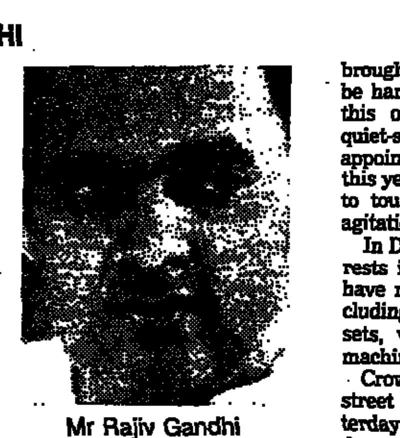
NZ NEWS, the New Zealand newspaper and magazine group in which Brierly Investments holds a substantial stake, has increased its offer to NZ$3,750 a share ($1,838) for NZ Press Association, which is jointly owned by 17 leading publishing companies and owns 10,000 shares in Reuter. Page 19

UNITED SATELLITES, the consortium planning to build the satellites for Britain's direct broadcasting project, is considering a re-design of the system. Page 6

A NEW oil field off Norway's coast is the country's most promising since the North Sea fields were discovered. It could ensure oil production well into the next century, it is claimed.

# Rajiv's decisive action quells sectarian violence

BY JOHN ELLIOTT IN DELHI



Mr Rajiv Gandhi

MR RAJIV GANDHI, India's new Prime Minister, appeared last night to be succeeding in a determined effort to bring the country back under control after the assassination last week of his mother, Mrs Indira Gandhi, and the subsequent sectarian violence.

No big disturbances were reported yesterday after Mr Gandhi had ordered tough army action in the worst hit areas and had appointed Mr M. M. K. Wali, permanent secretary of the Home Ministry, to be Lieutenant Governor of Delhi, responsible for its administration and the police.

To emphasise that he will be continuing with the policies of his mother's Government, Mr Gandhi yesterday reappointed almost all ministers to their old posts in his Cabinet and assured visiting heads of state that foreign policy would not change.

The Government hopes that a combination of tough army and administration action, and the fact that Mrs Gandhi's cremation has now taken place, will prevent further unrest.

Nevertheless, the communal harmony between Sikhs and Hindus is shattered and many Sikhs are saying that there will be a backlash against the Hindus at some stage in the future.

The death toll in the country rose over the weekend from 500 to between 800 and 1,000, mainly because of late reports of violence last week. In Delhi the killings, mostly of Sikhs but including some Hindus, has risen to between 450 to 500.

There are up to 30,000 or more Sikhs in Delhi refugee camps, many of them homeless.

This will pose a serious problem for the Government. The destruction of Sikh businesses, ranging from taxis and lorries to factories, could also have an economic impact, especially in New Delhi where some businessmen are threatening to move out to the Punjab.

The violence in the country's usually placid capital, where there is no precedent for such serious communal unrest, has worried the Government.

"Delhi has never seen such a thing before," Mr Wali said yesterday, explaining why the police had not reacted more effectively to the sudden unexpected and widely scattered riots last week.

"It will be my endeavour to see that this orgy of madness is brought to a stop. No measure will be harsh enough for us to achieve this objective," said Mr Wali, a quiet-spoken civil servant who was appointed Home Secretary earlier this year when Mrs Gandhi decided to toughen her approach to Sikh agitation in the Punjab.

In Delhi there have been 1,800 arrests in the past few days. Policy have recovered looted property including refrigerators, television sets, video cassettes and sewing machines worth over $17,000.

Crowds of people went out on the street of Delhi and other cities yesterday for the first time for several days. A few turbanned Sikhs also ventured out, but most are still staying out of sight for fear of being attacked by Hindus.

Curfews are being relaxed in Delhi and the troubled states of Uttar Pradesh, Bihar and Madhya Pradesh. Bus services are being resumed in the capital and elsewhere.

Schools in Delhi, however, are staying shut for another two days, having closed last Wednesday night. In Chandigarh, capital of the Punjab, schools will be shut all this week, indicating continuing security problems in region where press censorship is curbing newspaper reporting.

Joint Sikh-Hindu peace committees are being set up in various areas and Mother Teresa, the Calcutta missionary, led prayers at a peace march in Delhi yesterday attended by 2,000 people.

Sikhs take refuge, Page 3

# London rate hopes focus on dollar

By Max Wilkinson, Economics Correspondent, in London

THE CITY of London will be watching for early signs of official encouragement of a cut in interest rates this week, providing that the dollar continues the downward trend which seemed to be gaining momentum at the end of last week.

The British Treasury and the Bank of England continue to believe that domestic monetary indicators warrant a cut in interest rates. In the City of London the general view is that tomorrow's money supply figures for October are unlikely to upset this.

In spite of the Treasury's admission that public borrowing for this year will overshoot its target by more than £1bn ($1.2bn) the funding programme is well ahead of schedule, and the City has taken the increased borrowing figure in its stride.

All eyes will, therefore, be focused on the dollar and on U.S. interest rates after three days at the end of last week in which the dollar lost 2½ per cent of its overall value against a basket of currencies, although short-term U.S. interest rates were little changed.

The recent trend of U.S. interest rates, however, has been easier with two successive cuts in leading banks' prime rate for borrowers in recent weeks. There has also been increased discussion whether the foreign exchange markets will begin to take greater notice of the soaring U.S. trade deficit which is pushing the balance of payments current account to a deficit of more than $100bn.

Although the British Treasury has no target for the sterling-dollar exchange rate, a falling dollar would reduce any general pressure on sterling from a combination of a cut in UK interest rates and unease about the future of the miners' strike.

The authorities' desire to engineer a cut in interest rates has been strengthened by the poor unemployment figures, which continue to suggest that the total out of work is rising at the rate of about 15,000 per month.

The Treasury view is that a cut in interest rates would offer the best hope of keeping up the momentum of industrial investment and so minimise the risk of an economic downturn next year.

# Reagan holds on to strong lead in polls

BY REGINALD DALE IN WASHINGTON

WITH one full day of campaigning left before tomorrow's U.S. elections, President Ronald Reagan last night maintained an 18 to 19 point lead in the latest nationwide opinion polls.

Despite his repeated warnings of the dangers of overconfidence, political commentators said yesterday that Mr Reagan's re-election to four more years in the White House was now the nearest thing to a certainty in U.S. politics.

In an attempt to extend his anticipated victory as widely as possible across the country, Mr Reagan paid a surprise visit to Minnesota, the home state of Mr Walter Mondale, his underdog Democratic challenger. The Republican national leadership has previously neglected Minnesota.

The latest survey by the Associated Press said that only that state and the District of Columbia, home of the federal capital, were still leaning to Mr Mondale.

Mr Reagan's political strategists still believe that he has a chance of a record-breaking sweep of all 50 states on Tuesday, although they are somewhat less confident of the prospect than they were a few days ago. Mr Reagan carried all but five states in 1980, although his margin of victory in many was narrow.

A Washington Post/ABC news poll published yesterday put Mr Reagan's lead nationwide at 18 percentage points, 57 to 39 per cent. It said that he was ahead in all age and income groups and in all regions of the country.

A New York Times/CBS poll put the Republican Reagan-Bush ticket 19 points ahead. Ms Geraldine Ferraro, Mr Mondale's Vice-Presidential running mate, however, continued to insist that the polls would be proved wrong by an unexpected flood of support for the Democrats from women voters who have been keeping their voting intentions secret from their friends and husbands, as well as from the pollsters.

The Washington Post/ABC poll – the biggest of its kind – predicted that the Republicans might lose two or three seats from their current 55 or 45 majority in the Senate. It said, however, that Mr Reagan was poised to restore the right-wing coalition of Republicans and Conservative Democrats with which he effectively controlled the House of Representatives in his first two years, 1981 and 1982.

Mr Mondale again accused Mr Reagan of harbouring a secret plan to increase taxes after his re-election to help close the budget deficit. Mr Reagan responded that any increase in personal income taxation would be "over my dead body," adding that he hoped to lower individual tax rates still further.

Vice-President George Bush said in a television interview that the main aims of a second Reagan Administration would be to keep the

**Continued on Page 16**

Editorial comment, Page 14

# Call for EEC to act on Canada newsprint

BY ANDREW FISHER IN LONDON AND BERNARD SIMON IN TORONTO

THE EEC is coming under pressure to restore Canada's former quotas for newsprint sales after a campaign in which Canadian producers have been strongly supported by UK publishers.

A Gatt (General Agreement on Tariffs and Trade) panel of experts has called on the EEC to restore "urgently" a 1.5m tonnes duty-free quota on newsprint imports from outside the EEC as a first step to resolving the Community's lengthy dispute with Canada.

The panel, appointed last March to deal with the deadlock in talks between the EEC and Canada, is expected to table its report at a meeting of the Gatt council tomorrow.

The 1.5m tonnes quota had been in force since the UK's entry into the Common Market in 1973, but the Community cut it back to 0.5m tonnes this year, and then raised it in two stages to 635,000 tonnes.

Canadian producers, supported by customers in Britain, have pressed for a minimum quota of about 700,000 tonnes a year, plus scope for future growth. Increases have been strongly opposed by Italian newsprint suppliers.

British newspapr publishers have traditionally used about 500,000 tonnes of Canadian newsprint a year. In spite of new capacity coming onstream in the UK, they want to retain access to the Canadian

**Continued on Page 16**

# U.S. relaxes anti-trust rules on joint ventures

BY WILLIAM HALL IN NEW YORK

THE U.S. Government has relaxed its tough anti-trust rules, designed to maintain competition in the economy, in order to make it easier for U.S. companies to form joint ventures where there are clear economic benefits.

There have been signs in recent months that the Administration's thinking on the subject of joint ventures has been changing. Last month, for instance, the U.S. Justice Department persuaded two major aluminium producers, Atlantic Richfield (Arco) and Alcan Aluminium, to convert the most questionable part of a proposed deal under which Alcan bought Arco's aluminium interests into a joint venture.

In a major policy speech on Friday, however, Mr J. Paul McGrath, who heads the Justice Department's anti-trust division, spelled out for the first time the Administration's new thinking on joint ventures. He indicated that they would be subject to far less stringent tests than mergers.

In an address at Harvard Law School, Mr McGrath said the Administration is "committed to removing unwarranted regulatory obstacles to the formation of joint ventures," and that "an awareness of the role these valuable business arrangements play in creating efficiencies and bringing forth new products and technologies is replacing an attitude of suspicion born of ignorance."

Mr McGrath, who took over the Justice Department's anti-trust division in January this year, said joint ventures would play a vital role in promoting the growth and international competitiveness of the U.S. economy. In general, his department would not challenge joint ventures which were "reasonably tailored to bring about significant efficiencies such as large-scale economies in marketing."

The U.S. Government was more likely to challenge mergers than joint ventures since "mergers generally do not carry with them the same promise for new operating capacity as many production joint ventures," said Mr McGrath.

"Joint ventures should discard unneccessarily anti-competitive 'excess baggage' from their agreements and retain only those restrictions that advance efficiency enhancing purposes."

The Administration will not worry about joint ventures in research and development sectors unless they result in highly concentrated markets for research. As a general rule, Mr McGrath said, he would rarely challenge ventures in this area if the market involved was large enough to support four other such ventures.

# Shipper sues Bank of England over Johnson Matthey rescue

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

MR MAHMOUD SIPRA, the ship owner involved in the Johnson Matthey Bankers affair, last night stepped up his counter attack on JMB and the Bank of England by suing them jointly for $300m in damages.

In a twin action initiated in the New York Supreme Court, Mr Sipra is alleging breach of contract and promissory estoppel, a tort involving spoken rather than written contracts.

According to his attorney Mr Arthur Ruegger, of the New York law firm of Finley, Kumble, the papers will be served on the Bank of England and JMB in London today under procedures laid down by The Hague Convention.

Mr Ruegger said that the action alleged that the Bank of England and JMB had "pulled the rug" from under Mr Sipra's businesses by interfering with his bank accounts and seeking to close down several of his companies. Mr Sipra has large loans from Johnson Matthey, which the Bank is trying to call in.

The action was launched by Bulkferts and Transgulf Lines, two Sipra-owned shipping companies which have winding up petitions against them in the UK.

He is claiming $150m in compensatory damages and $150m in punitive damages. Mr Ruegger described the sums as "fairly conservative," given that actions taken by the Bank and JMB had allegedly "nearly destroyed" Mr Sipra's business.

Since it was rescued from collapse by the Bank a month ago, JMB has issued several high court writs against Mr Sipra who has admitted that his El Saeed Group is losing money, but also claims that it is still viable. Last week he launched counter actions of his own in the High Court.

Mr Ruegger said his firm intended to obtain depositions from officials at the Bank of England and JMB. He maintained that the New York court had jurisdiction over them under the 1976 Foreign Sovereign Immunities Act by virtue of the fact that Mr Sipra's companies are registered in New York State.

The Bank of England said last night that it had not seen the papers and could not comment.

The Bank will also be holding further talks this week with a group of banl : in its attempt to put together a £100m ($123m) package of guarantees to cover JMB's possible losses. The talks have got bogged down over the banks' insistence that they share any profits from the sale of JMB back to the private sector, and that the Bank of England put up a sizeable share of the guarantee itself.



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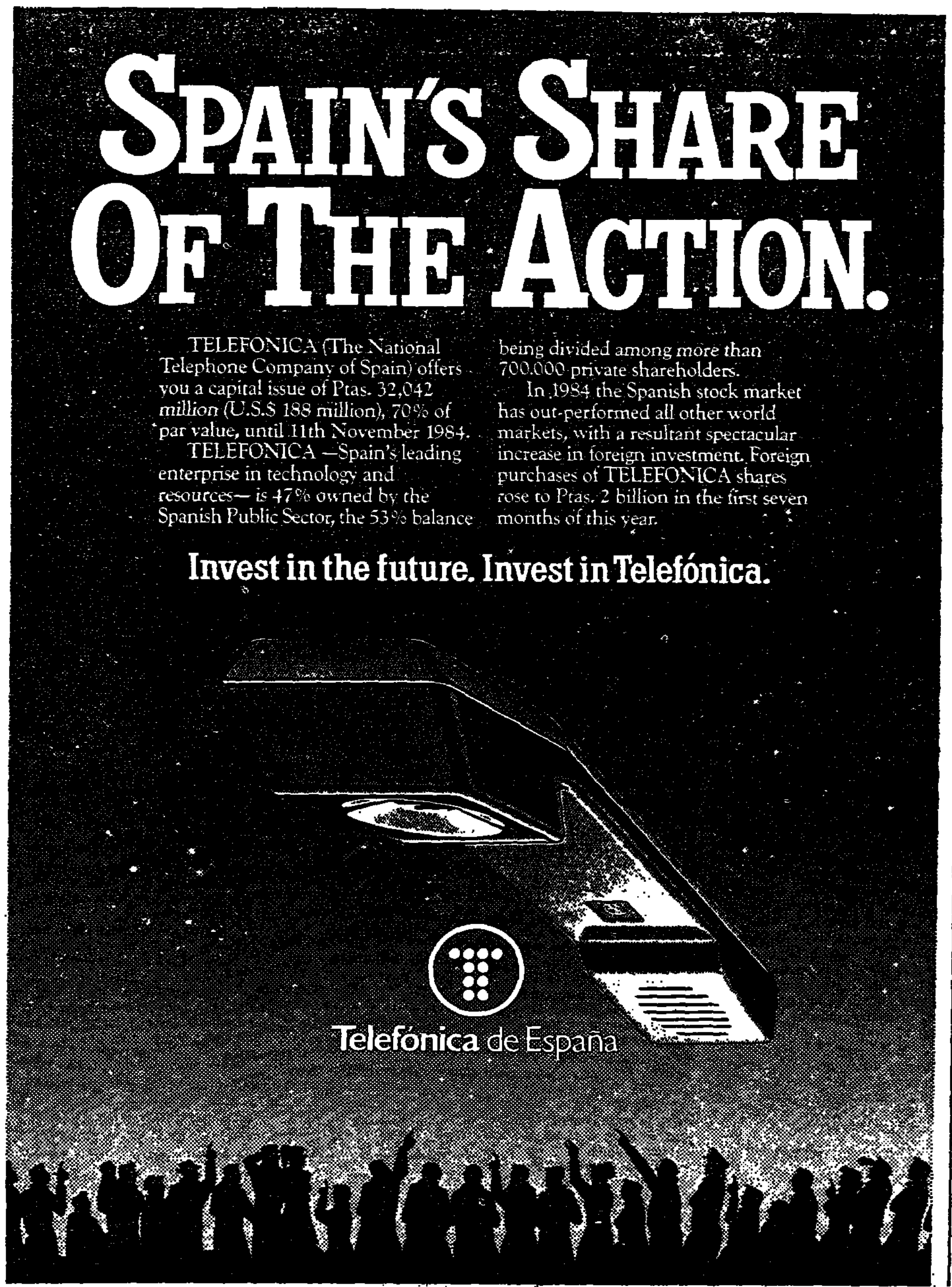


# OVERSEAS NEWS

## Italian bank governor warns on pay and debt

BY ALAN FRIEDMAN IN GENOA

THE ITALIAN Government will not succeed in its battle against inflation unless there is greater discipline in containing public deficit and labour costs, Dr Carlo Ciampi, governor of the Bank of Italy, warned yesterday.

Dr Ciampi, addressing the Forex Club in Genoa, described the Craxi government's stated goal of reducing inflation to 7 per cent in 1985 as "ambitious as things stand." He said that much progress had been made already in lowering inflation from its level of 12.8 per cent last December to the present 9.1 per cent annual rate.

Italy's inflation rate was, however, still far too high compared to other industrial nations.

The Italian central bank chief said the public sector budget deficit – which is forecast at L95,800bn ($51.7m) or less – was also still far too high. He said that interest charges on the total Italian public debt represented 90 per cent of Italy's gross domestic product.

Dr Ciampi promised a continuation of the central bank's tight monetary policies and said the target for next year would be a 12 per cent rate of credit expansion. This compares with a 1984 actual rate of growth of around 18 per cent.

Dr Ciampi was generally positive about Italy's 1984 economic performance, adding that the growth rate of 2.8 per cent compared favourably with those of other major European economies.

Italy's 1984 current account would show a L2,000bn deficit, compared with a surplus of L1,158bn in 1983.

The governor said progress had been made in containing labour costs in Italy by cutting percentage points off *scala mobile*, but more improvement would be required if inflation was to be reduced

Turning to the foreign exchange markets, Dr Ciampi said he was pleased with the workings of the European Monetary System. The experience of the EMS confirms that the intervention of central banks had a favourable and stabilising impact upon markets.

## Appeal on Berlin firing range

BY LESLIE COLITT IN BERLIN

A NUMBER of West Berliners who enjoy almost every freedom are determined to gain the one denied to them, the right to appeal against a decision by the three Western allies who defend them.

This situation has been prompted by the threat of noise from a new shooting range for the British Army. The matter is now before the High Court of Justice in London which is to decide today whether it can serve as a court of appeal in a suit by two Berliners against Her Majesty's Attorney General. They are also suing Major General Bernard Lennox, the British commandant in West Berlin, whose lawyers argue he is immune from British courts as an "arm of the state of Germany".

The two Berliners who have brought the suit are both pensioners. Herr Gunter Trawnik and Frau Luise Reimelt say they support the Allied military presence in the city but not at the expense of a peaceful domestic life. Barely 150 metres from their homes in the wooded suburb of Gatow in the British sector, the British Army is completing a 600-metre long shooting range for rifles and machine guns.

In 1977 the then Social Democrat-led West Berlin city government approved the project, although residents protested that the noise would be intolerable.

As a result the shooting range has been built eight metres into the ground and surrounded on three sides by high earthen walls. Residents then called for it to be roofed over, but the army says this cannot be done if realistic training conditions are to exist.

The present Christian Democrat majority in the legislature has called for a halt to construction of the shooting range, or if this fails, for optimal anti-noise measures to be incorporated. Herr Eberhard Diepgen, West Berlin's CDU governing mayor, assumed office early this year with an appeal to the three Allies to get rid of "obsolescent" laws from the post war era.

The Allies appear determined not to budge on one point which they regard as vital to their continued role in West Berlin. German courts, they say, cannot be given the right to try cases involving important Allied interests such as the shooting range.

## Flick funds 'channelled to Spanish party'

BY TOM BURNS IN MADRID

SPAIN'S Conservative opposition, Coalicion Popular, is to table a parliamentary question over published reports that some DM 4m (£1.36m) of subsidies from the Flick foundation to the West German Social Democrat Party (SPD) were transferred to Spain's Partido Socialista Obrero Español (PSOE) to finance its landslide triumph in the 1982 general elections.

According to the Barcelona newspaper La Vanguardia, Herr Peter Struck, an SPD member of the Bundestag commission investigating the Flick affair, claims that part of the DM 4m received by the PSOE was handed over personally to Prime Minister Felipe Gonzalez by Herr Hans Juergen Wischnewski, a senior member of the SPD.

Spokesmen for the PSOE denied all allegations of malpractice and promised a full staetment following the return to Spain of Sr Gonzalez who spent the weekend in India heading the Spanish delegation at the funeral of Mrs Indira Gandhi.

A spokesman for the SPD's Ebert Foundation, which has close links with the PSOE, said in Madrid it was "ludicrous" to allege that funds had been handed over personally to Sr Gonzalez

## French military uranium plant shut

By David Marsh in Paris

A MILESTONE in France's nuclear programme has been passed with the closing for five months of the military uranium enrichment plant at Pierrelatte in the Rhone Valley, which was the key installation behind France's race to build the hydrogen bomb during the 1960s.

The closure, which took effect last week, was made to save electricity costs. It takes account of ample French stocks of 93-per-cent-enriched uranium and a change in tariffs operated by Electricite de France, which now exceptionally penalise winter consumption.

Pierrelatte, built between 1960 and 1967 at great cost and in the face of considerable U.S. opposition, has been operating continuously for the past 17 years to provide enriched uranium for themonuclear bombs and warheads and the propulsion reactors of France's nuclear submarine fleet.

It has already, however, been operating at reduced levels since 1982 when the low- and medium-level enrichment parts of the four-plant complex were closed down.

## High turnout in Nicaragua poll

By Tim Coone in Managua

NICARAGUA'S ELECTIONS yesterday for a president, vice-president and 90-member national assembly, attracted a high voter turn out. Long queues formed in the capital even before the polling stations had opened at 7 am and reports from around the country indicated a similar initial high turnout.

Disruption of the polls by U.S.-backed guerrillas appears as though it will be minimal. Guerrilla units that had been trying to cut off the northern town of Esteli over the past two weeks have been pushed back into the mountains, and extra military units including tanks have been moved up

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# Tel Aviv sees price, pay and tax freeze deal as turning point

BY DAVID LENNON IN TEL AVIV

ISRAEL'S coalition Government hopes that the three-month wage, price and tax freeze agreed late last week with the unions and employers will prove to be a "turning point" for the economy and bring inflation down to 10 per cent a month from the current level of more than 20 per cent, Mr Yitzhak Modai, the Finance Minister, said yesterday.

The aim of the "package deal" is to stabilise the economy and restore public confidence in the Government's ability to manage the economy which is suffering from hyper-inflation, a huge balance of payments deficit and dwindling foreign currency reserves.

Under the terms of the agreement, the prices of all goods and services are frozen, wage earners are forgoing part of the monthly automatic compensation for inflation and the Government has frozen all taxes and will bring down interest rates. The Government wil also prevent the payment of dividends to Israelis during the period of the freeze.

The suspension of dividend payments will not apply to foreign investors and all foreign contracts will be unaffected.

Mr Modai explained that the incomes policy was only the first step in a comprehensive programme of economic recovery. The three-month freeze would give the economy "time for the implementation of "more profound measures.

One area where there could be disputes between the Government and its two partners—the Histadrut trades union federation and the employers—concerns subsidised foodstuffs and the prices of fuel, electricity and transport which are under Government control.

The Treasury says these prices may be raised in order to keep the percentage of subsidies stable. But Mr Israel Kessar, secretary general of the Histadrut, said this would infringe the agreement. The Cabinet at its meeting yesterday sided with the union view of the agreement.

# Pullout meeting postponed

ISRAEL has accepted Lebanon's request to postpone the opening of military level talks on the withdrawal of Israeli troops from Lebanon, the Foreign Ministry announced in Jerusalem yesterday, Our Tel Aviv Correspondent reports.

The negotiations were due to begin this morning at the headquarters of the UN peacekeeping forces in Lebanon at Nakoura on the coast just north of the Israeli border.

The talks are designed to work out details of the policing arrangements for the southern third of Lebanon after the Israeli forces are pulled back to the international border. A parallel effort is being made by the U.S. to win Syrian agreement not to move its forces into the areas Israel evacuates.



# Botha hits at MNR for quitting peace talks

By Anthony Robinson in Johannesburg

SOUTH AFRICA'S Minister for Foreign Affairs, Mr Pik Botha, has reacted strongly to criticism of his role in the Mozambique cease-fire negotiations. He in turn criticised the decision of the Mozambique National Resistance (MNR) to pull out of the peace talks and step up the guerrilla war against the Mozambique Government.

"If the armed activity and conflict continues, it will be the enemies of Mozambique who gain and all of us in the region will pay the price, including the MNR," Mr Botha said.

Those leaders who chose the path of violence would leave them "with nothing to administer but misery, famine, economic retrogression and human decay," he added.

Mr Botha was speaking in Rome where he briefed Sr Giulio Andreotti, the Italian Foreign Minister, after his two days of talks in the Cape Verde islands with Mr Chester Crocker, the U.S. Secretary of State for Foreign Affairs. ...

From Rome, Mr Botha is due to fly to Israel before going on to Munich where he will meet Mr Crocker again on Tuesday to continue talks on Namibian independence. They will also discuss Angola's offer to withdraw Cuban troops provided South Africa withdraws its own troops from Angola and goes ahead with Namibian independence moves under the terms of United Nations Resolution 435.

As part of any eventual overall deal, Angola is believed to be demanding an end to South African and foreign support for the rebel Unita forces led by Jonas Savimbi. South Africa provides substantial military, economic and logistic support to Mr Savimbi who is based at Jamba in the south-east corner of Angola close to the border with Namibia.

Israel is also believed to support Unita forces in the north of the country where they operate with supply lines through Zaire.

Joint Israel-South African support for Unita forces is part of the pattern of close co-operation between the two countries in military and intelligence matters as well as arms production and development.

# Seoul alters interest rate structures

By Steven B. Butler in Seoul

SOUTH KOREA'S Monetary Board has altered interest rates of domestic banking and financial insitutions in an effort to strengthen the banking system and lay the groundwork for further liberalisation of domestic financial markets.

Under the changes, effective today, banks will raise interest rate ceilings on loans and long-term deposits by 1 percentage point to 11.5 per cent and 10 per cent respectively. Short-term financial and mutual savings companies will have to lower their interest rates by an equal amount, to a maximum of 16.5 per cent on deposits and 18.5 per cent on loans.

By narrowing the gap in interest rates, the Monetary Board hopes to draw more money into the banking system, whose share in the financial market has been declining in recent years.

Interest rates on call money and non-guaranteed bonds will be allowed to float freely for the first time. In the first eight months of this year, funds raised by corporate bonds fell by about one-third over the previous year.

The new regulations are part of a long-term policy to reform South Korea's financial system. Interest rates in the banking system have been kept artificially low, giving rise to a very large, high interest kerb lending market which has repeatedly erupted in scandals in recent years.

Mr Chun Doo Hwan, South Korea's President, told the National Assembly last month that the Government would move to liberalise interest rates over the next year.

# Embittered Sikhs take refuge from violence

BY JOHN ELLIOTT IN NEW DELHI

COMMUNIAL life in India may never be the same again following the Hindu attacks on Sikhs over the past five days in which an estimated 500 people are believed to have been killed in New Delhi alone. There are at least 30,000 Sikh refugees in the capital, many with no homes to return to.

"The emotional damage is almost irreparable. It is as bad as the riots in 1947 between the Hindus and Moslems," said an elderly Sikh, referring to a scar on India's independence history which opens up constantly into fresh Hindu-Moslem violence.

He was standing in the Sikh's main temple in Old Delhi's Chandani Chowk Bazaar where at least 500 Sikhs, who have never experienced mass violence before from Hindus, are hiding.

The bitterness and condemnation of the police and the authorities for not coming to the rescue of the Sikhs is extraordinary in its intensity. Many Sikhs are debating whether to uproot their lives and move to Punjab, the Sikh's home state. Such a move would inevitably boost Sikh demands for some devolution of government power to the Punjab and, maybe, would also increase calls for Khalistan, an independent Sikh state.

"We are not accepted here. We don't want to stay. We don't want to be like the jews in Germany," said Mr Charanjit Singh, a prominent Delhi businessman close to the ruling Congress I Party.

Until yesterday, Sikhs have kept off the roads of Delhi for fear of being attacked. No turbanned Sikh head was visible at Mrs Gandhi's cremation on Saturday, apart from a few dignitaries who included President Zial Singh.

While Mrs Ghandi's body was being cremated, light tanks were trundling through some of the capital's poorest slum settlements just a couple of miles across the River Yamuna to quell the Hindu attacks and to search for pockets of besieged Sikhs.

The light tanks—called infantry combat vehicles—dwarfed the tiny one-room burned out dwellings in the Trilokpuri East-Delhi area where at least 95 Sikhs had been killed, many by burning.

"We have shaved our heads and beards and taken off our turbans to hide our identity because we have no option with these attacks," a group of haggard homeless Sikhs told me, admitting to a major breach of Sikh rules. A few hundred yards away women in a small camp wailed for their lost husbands and sons. The light tanks stood symbolically in the road between the camp and groups of angry looking hindus.

"We want no more of the Sikhs living here," some of the Hindus said to each other.

Yesterday in West Delhi army attention focused on the slum suburbs of Mangolpuri Sultanpuri where there had been major violence and burning.

With the army replacing the less efficient police, there were no fresh incidents, but the mood was tense as Sikhs sought shelter in a library, surrounded by guards, and Hindus remained huddled in their tenements.

The hopeful signs are that joint Sikh-Hindu peace committees are being formed in many areas, that the army appears at last to be in charge, and that most residents seem to want to get back as far as possible to a normal life again. But the Sikhs will not feel secure again in many hindu dominated areas, echoing the experiences of India's larger Moslem minority.

## ZIA BIDS FOR FRESH DIALOGUE WITH NEW DELHI

**A NEW attempt to ease the friction between India and Pakistan may be made in the near future following a brief meeting here last night between Mr Rajiv Gandhi, the new Indian Prime Minister, and General Zia Ul-Haq, President of Pakistan, John Elliott writes.**

**Both men agreed that their two countries were not in competition and that their main concern was development and peace in the region.**

**President Zit came here for Mrs Gandhi's funeral with the clear intention of making a bid for a fresh dialogue between the two countries.**

**Mrs Gandhi had little respect for him, publicly calling him a "dictator." But President Zia's fulsome praise for her since her death has impressed the Indian Government and might help to build a more positive relationship**

**"It is natural to expect a fresh young and dynamic approach to a chronic problem," said President Zia just before he met Mr Gandhi.**

**For some time India has complained about Pakistan's rapidly growing military capability which is being built up with U.S. help. Mr Gandhi emphasised this when he met Mr George Shultz, the U.S. Secretary of State, after the funeral.**

**The Indo-Pakistan relationship worsened sharply in the middle of the year when the late Mrs Gandhi accused Pakistan of aiding Sikh extremists in the Punjab**

**● Mr Nikholai Tikhonov, Soviet Prime Minister, denied on Saturday, when he met Mr Shultz, that his country had suggested the U.S. had some role in the assasination**

**But in Moscow yesterday, the Communist Party daily Pravda repeated claims that "external forces" were involved in the assassination, AP reports.**

# Opec plan to reduce oil production under attack

DOUBTS were voiced by members of the Organisation of Petroleum Exporting Countries (Opec) at the weekend about the efficacy of the organisation's decision last week to reduce its production ceiling in an effort to stabilise oil prices.

Mr Jassem Al-Khorafi, chairman of the Kuwaiti parliament's economic and financial affairs committee, described the Opec decision as "futile," while Mr Mohammed Gharazi, Iran's Oil Minister, said the overall production quota should have been slashed by 2.5m or 3m barrels a day instead of the 1.5m b/d agreed.

In Geneva last week Opec ministers agreed to reduce the overall ceiling from 17.5m b/d to 16m b/d from this month.

Mr Gharazi said yesterday Iran and Algeria felt Opec had not gone far enough to counter weaker prices.

Mr Al-Khorafi told the Kuwait National Assembly that the Opec reduction was futile "because the market has been witnessing new producers."

Agencies

# Sino-Soviet dialogue to continue

BY MARK BAKER IN PEKING

CHINA and the Soviet Union have agreed to continue negotiations on normalising their relations despite the failure of the latest meeting to make substantial headway.

A fresh round of talks—the sixth since the two countries reopened dialogue in 1982 — will be held in Moscow next April.

The Soviet special envoy, Mr Leonid Ilyichev, Vice Foreign Minister, flew home yesterday after a two-week visit to China which does not appear to have produced movement on any of the major disputes.

But in an unusual formal communique, released by the Chinese Foreign Ministry, the talks were described in generally positive terms. "Both sides considered consultations and dialogues useful," it said.

Each side had set out its terms for resuming normal relations during the meetings.

"Both sides expressed the desire for improved Sino-Soviet relations and the willingness to further expand contacts and exchanges between the two countries in the economic, trade, scientific, technological, cultural, sports and other fields," it said.

China insists that normalisation cannot occur until Moscow "removes the obstacles" of its support for the Vietnamese in Kampuchea, its occupation of Afghanistan and reduces its military strength along their border. Moscow says these are "third country" issues which cannot be negotiated.

Both Mr Constantin Chernenko, the Soviet President, and the Chinese leader, Deng Xiaping, have made conciliatory remarks in recent weeks.

# WORLD TRADE NEWS

Bad timing undermines support for Interstoff, writes **Anthony Moreton**

## World's largest fabric fair under threat

WHEN the doors closed on the 52nd Interstoff fair in Frankfurt last Wednesday night, more than 20,000 visitors had attended the world's largest fabric fair.

Herr Hans-Jurgen Gaida, the director, took pleasure from the fact that not only were there more visitors at the bi-annual event—there is another every spring—than a year earlier but also that a record 1,062 concerns had *exhibited*.

Most of the world's great producers of fibres and fabrics were at the *exhibition, including* Du Pont, Hoechst, Enka, ICI Fibres, Celanese, West Point Pepperell and *Courtaulds.*

Despite the undoubted success of this particular show, *though, Interstoff is* under considerable pressure. The danger to its pre-eminence was underlined *by the* decision of Du Pont to pull out of the next show, cutting a link that goes back for at least 15 years. Others are questioning the value of the exhibition.

The trouble with Interstoff is that it got out of phase with the industry. Fairs in the textile and clothing world operate to very tight schedules. They have to be held at a time which gives the exhibitors sufficient time to return home and translate the orders taken into delivery dates.

Both the spring and autumn Interstoffs were, in the eyes of the buyers, being held too late, *leaving* them *too little* time to place orders that could be translated through the production phases *into clothes in the* shops.

At the same time two rivals *appeared on the scene*—Fabrex in London and Premiere Vision in Paris. Fabrex is *a relatively small show,* though interest in it is growing. But Premiere Vision has taken the industry by storm. It is the show where people want to be. It is also, like Fabrex, a show held at the right time—early in October.

"Ten years ago Interstoff was marvellous," according to Mr Hugh Sturgess, a director of Courtaulds' fabric division. "It reigned supreme. Now, there are three or four shows you have to go to and so you put maximum effort into those which are held at the best time.

"We ask ourselves every year whether we can justify coming back. We are only just holding on."

Mr Alan Pedder, commercial director of ICI Fibres, is not quite so critical but he admits Premiere Vision, which next year opens its stands to the fibre manufacturers, is the place to be. "Interstoff is a very *important fair. It attracts a lot* of international visitors, thinks "long" and sets trends. But *it got flabby and the rise of* Premiere Vision has hit it."

Not everyone thinks along *these lines. Klopman International,* a division of the U.S. giant, Burlington Industries, *expressed complete support for* the fair and Mr Theo Woertler, of Hoechst, said Interstoff was important because it afforded "the opportunity to hold discussions not only with European customers but also with many important customers from overseas, especially the U.S."

The international aspect of Interstoff is one of its most important assets. Whereas Fabrex has about a third of its exhibitors from overseas and Premiere Vision was, until recently, an exclusively French fair, Interstoff has a strong overseas preponderance, far outnumbering the German exhibitors.

The 252 Italian exhibitors—including major names such as Snia, Frey, Piacenza and Samco—easily outnumbered the 212 Germans, who comprised just 20 per cent of those taking stands.

To meet the criticisms, which have been gaining force in recent years, Interstoff has made a number of changes, including the appointment of Herr Gaida.

It has brought the spring show forward by a fortnight, which pleases the exhibitors, and the autumn show by three days, which also satisfies them, Herr Gaida defends the fair.

"Not all the industry wants the show early. The fabric and fashion market covers a wide range of different interests and we are trying to reconcile them.

"I think we are succeeding. We now have exhibitors from a record 35 countries, including South Africa for the first time. There is particularly strong interest in the fair in Japan, where the number of exhibitors has gone up from 35 to 50. Interstoff has become the biggest marketing outlet for the Japanese."

Interstoff has also been spending heavily on improving its facilities. Messe Frankfurt, the company which runs it, is now coming to the end of a five-year DM 500,000m (£143m) programme which has seen halls rebuilt, a new administrative centre put up and *moving walkways* between the halls installed.

In addition, the exhibition stands have been made more attractive and the exhibitors have been grouped in a more logical way, making it easier for visitors to meet those sellers in whom they are particularly interested.

The big change that is needed, making the autumn show earlier, is difficult. Interstoff is only part of Messe Frankfurt and therefore has to compete with other exhibitions for the available space.

Herr Gaida believes the rebuilding programme will help ease the congestion and he claims that if the market demanded a particular date strongly "we would find a solution somehow." Interstoff, he says, is the world's largest and most important international fair for the textiles industry and intends to *say* that way.

### World Economic Indicators

FOREIGN EXCHANGE RESERVES (U.S.$m)

| | Aug. '84 | July '84 | June '84 | Aug. '83 |
|---|---|---|---|---|
| U.S. | 6,190 | 6,105 | 6,329 | 6,457 |
| Japan | 21,266 | 20,993 | 21,002 | 20,238 |
| W. Germany | 38,361 | 38,422 | 38,802 | 36,718 |
| UK | 6,940 | 7,007 | 7,056 | 8,869 |
| Italy | 19,035 | 18,531 | 17,920 | 18,105 |
| Netherlands | 8,417 | 8,508 | 8,434 | 8,722 |
| Belgium | 3,258 | 3,136 | 3,159 | 4,205 |
| | July '84 | June '84 | May '84 | July '83 |
| France | 20,058 | 19,419 | 19,304 | 18,459 |

Source: IMF

SHIPPING REPORT

### Tanker charters hit by Opec move

CHARTERING of big tankers remained slack last week, though three ULCCs (ultra-large crude carriers) and at least two VLCCs (very large) found employment after waiting in the Gulf for several weeks, writes **Andrew Fisher, Shipping Correspondent.**

Galbraith's, the London shipbroker, said Opec moves to cut oil production in a bid to stem the fall in world oil prices would certainly not help owners of large vessels.

Most of the trading in VLCCs and ULCCs, exceeding 200,000 deadweight tons and 300,000 dwt respectively, is carried out from Gulf loading terminals.

Just who chartered the big vessels from the Gulf last week, and at what rates, was kept secret. One fixture not kept under wraps was a 240,000 ton cargo from the Gulf to Taiwan at Worldscale 27.

But there has been more interest in crude oil from the North Sea, following the price cuts. Rates tended to firm, while business also picked up out of West Africa.

Latest forecasts that Russia will import 46m tonnes of grain in the 1984/85 crop year—13m tonnes more than last year—have had an impact on markets, said Matheson (Chartering). They helped North Atlantic rates rise last month, but Soviet chartering alone will not alter the basic weakness of the market, which "will need a lot more sustained support from other grain trades, as well as from key commodities such as coal and ore."

## U.S. may act to limit EEC pipes and tubes

By Nancy Dunne in Washington

THE U.S. Commerce Department may act soon to limit European Community shipments of pipes and tubes in accordance with trade legislation signed into law by President Reagan last week.

A Commerce Department official said on Friday that the Administration is "pretty impatient" with the EEC's *failure to limit imports of* pipes and tubes to 5.9 per cent of the U.S. market. The EEC captured an 8.1 per cent market share last year and imports ran at about 14.4 per cent in the first eight months of this year.

It is the U.S. view that the EEC informally agreed, in an exchange of letters in 1982, to limit pipe and tube imports to 5.9 per cent. In the new trade legislation Congress gave the Commerce Department the authority to enforce that 5.9 per cent limit.

The arrangement on pipes and tubes was made at the *insistence of American steel* producers when the Carbon Steel Accord was signed in 1982. However, the two agreements were kept separate and the pipe and *tube deal was deliberately* vague because the European Commission had no mandate *to negotiate* for EEC pipe and tube producers.

A representative of the EEC delegation in Washington contends that the pipe and tube agreement "leaves a lot of room for interpretation." The Commission has maintained that there is no diversion from other categories of steel into tube and pipe products.

In the 1982 letter, Viscount Etienne Davignon, vice-president of the Commission, told Mr Malcolm Baldrige, U.S. Commerce Secretary: "The Communities are of the opinion that such a diversion will not take place insofar as annual exports of pipes and tubes to the U.S. do not exceed the 1979-81 average share of annual U.S. apparent consumption. In the light of its market forecasts, the European Economic Community believes that exports of pipes and tubes to the U.S. will not exceed this average."

An article in the delegation's own magazine, "Europe," written in 1982, said that "The EEC will undertake not to exceed a 5.9 per cent share of the U.S. market for pipes and tubes—the Europeans' average share of that market in 1979-81—unless the U.S. industry proves unable to meet domestic demand for those products."

The new trade legislation has produced still another wrinkle which could limit tube and pipe imports altogether by requiring that they be die-stamped, etched or moulded with the country of origin name. Only the die-stamp process is considered feasible and that could infringe on U.S. safety regulations and weaken the products.

## Kumagai Gumi sets pace on Hong Kong tunnel contract

BY DAVID DODWELL IN HONG KONG

KUMAGAI GUMI, the Japanese construction group that is tendering with Marubeni corporation for the HK\$2bn-3bn (\$255m-\$383.6m) contract to build Hong Kong's second cross harbour tunnel, has this week revealed detailed tunnel plans, setting the pace in the bidding at a time when local and foreign *competitors have raised complaints* about Japan's tight grip over the construction market.

The Hong Kong Government invited tenders just over a month ago for the 2.6 km tunnel linking Quarry Bay at the eastern end of Hong Kong island with Cha Kwo Ling in the eastern new territories. Six consortia have held detailed discussions so far – three linked with the UK, one European consortium, and one from the U.S. as well as Kumagai Gumi. A total of 15 groups have requested project details.

When inviting tenders, the Government emphasised that the project would receive no cash backing – meaning tenderers must include a financing package when they put in their bids – and kept its options open on whether the tunnel should only be a road tunnel, or should also include tunnels for underground trains.

Kumagai Gumi has set the pace for competitors by presenting plans that include both road and rail tunnels. *Bidders have until early April* next year to complete their tenders. The Government hopes work on the tunnel will start at the end of 1985, and expects it to be in operation before the end of 1989.

The Japanese group has won a number of major construction contracts in Hong Kong recently. The latest is a HK\$400m contract to build a cultural centre in Tsim Sha Tsui close to Hong Kong island.

Just three months ago, Hong Kong International Terminals, one of the territory's leading container port operators, awarded a HK\$290m land reclamation contract to another Japanese company, Aoki Corporation.

These recent Japanese successes have aroused controversy among competitors at a time when the construction sector – seriously depressed since the collapse of the local property market over two years ago – is beginning to show renewed signs of life.

Competition to win the contract for the second cross harbour tunnel is likely to be fierce, since it will be the largest construction contract in the territory once the HK\$11bn mass transit railway (MTR) line on Hong Kong island is completed in the middle of next year.

While the Government has been careful not to express any preference for a road tunnel or a road and rail tunnel, the Mass Transit Railway Corporation (MTRC) has been keen to persuade prospective bidders that their tender should embody a *railway line.*

## Jardine meets Chinese

HONG KONG — Representatives of Jardine, Matheson and a Chinese official from Qinhuangdao met last week to discuss Jardine's trade prospects in China, the Hong Kong-based company said.

Stock brokers said the discussions lend weight to recent speculation that Jardine Matheson is considering a major revival of its corporate interests in China. The company, one of Hong Kong's oldest concerns, lost a number of ventures in China during the revolution in the 1940s.

Y. K. Pang, speaking for Jardine Matheson (China), said Jardines officials met last week in Hong Kong with Cui Xifu, deputy mayor of Qinhuangdao. Qinhuangdao, a glass-producing centre and tourist resort, is one of 14 cities along China's southern coast that are open to foreign trade and investment.

Pang said Xifu presented the company with a list of proposed projects in which Jardine might wish to participate.

● The City of Peking and a Japanese consortium have formed a joint venture to build a hotel/office/apartment complex in Peking's central Changan area at an estimated cost of \$100m, a spokesman for the Japanese partners said. Agencies

## Fourth Sabic petrochemical plant start-up

By Carla Rapoport

SAUDI BASIC Industries Corporation (Sabic) announced last Friday that its fourth major petrochemical plant has begun commercial export operations and is producing at rates above its designed capacity.

The plant, a joint venture between Sabic, Celanese and Texas Eastern of the U.S., is producing methanol, a feedstock for the production of building materials, solvents and gasoline additives. Sabic entered the world methanol market with an earlier plant late last year. Since that time, the world price of methanol has dropped sharply with the result that Du Pont, the largest U.S. methanol producer, quit the market.

The Sabic plants represent part of a \$10bn investment to convert the country's natural gas into a variety of petrochemicals. The remaining plants are due to begin commercial operations within the next year or so.

## World tractor market flat

By Andrew Gowers

THE WORLD tractor market is in for another flat year in 1985, according to Mr Dennis Schwieger, director of marketing and planning with Massey Ferguson.

Speaking in London, he forecast total sales next year would be about 600,000 units, compared with this year's estimated sales of 615,000. Prospects were dim for most of the rest of this decade and the outlook would only begin to improve in 1989, he said.

Mr Schwieger was, however, remarkably positive about the prospects for Massey Ferguson itself, the world's largest maker of farm machinery. The company returned to the black in the first half of this year after persistent losses.



### Contracts and Tenders



### Personal

# IT SEEMED AS GOOD A PLACE AS ANY TO START LOOKING FOR NORTH SEA OIL.

**1 9 6 5**

A routine press conference in London, and an off-the-cuff remark by Shell UK's top geologist. Within minutes his comments are on every Editor's desk in Fleet Street, and by morning, being repeated the length and breadth of the country. While the sceptics scoff, the politicians pray. If what has been hinted at is indeed true, it will alter the economic and political fortunes of Britain for decades to come. Out in the North Sea, it is reported, Shell expects to strike oil.

**1 9 6 6**

The financial markets of London buzz with anticipation following Shell's discreet announcement of 'a significant gas discovery' 32 miles off the coast of East Anglia. Within two years Shell and other companies are bringing North Sea gas ashore, and with it a dramatic revival for the British gas industry. Plans are made for completely converting the National Grid to natural gas.

**1 9 6 7**

Armed with the latest seismic data, two geologists from Shell set up a small office in a tiny flat, over a bookshop, in the centre of Aberdeen. It seems as good a place as any from which to tackle their awesome task. They have been instructed to begin exploration of the vast and hostile waters of the northern parts of the North Sea.

**1 9 7 1**

At the northernmost offshore well yet drilled in the world, a veil of secrecy descends over Shell's activities. Communications with the mainland are suddenly coded through 'scrambler' phones. Information is rushed to Shell's scientists for prompt analysis. Until, as abruptly as they began, the exploration team cease all activity, seal the well, and are clearly seen making off for entirely new locations. A simple manoeuvre to ensure that nobody will guess what they have found.

**1 9 7 2**

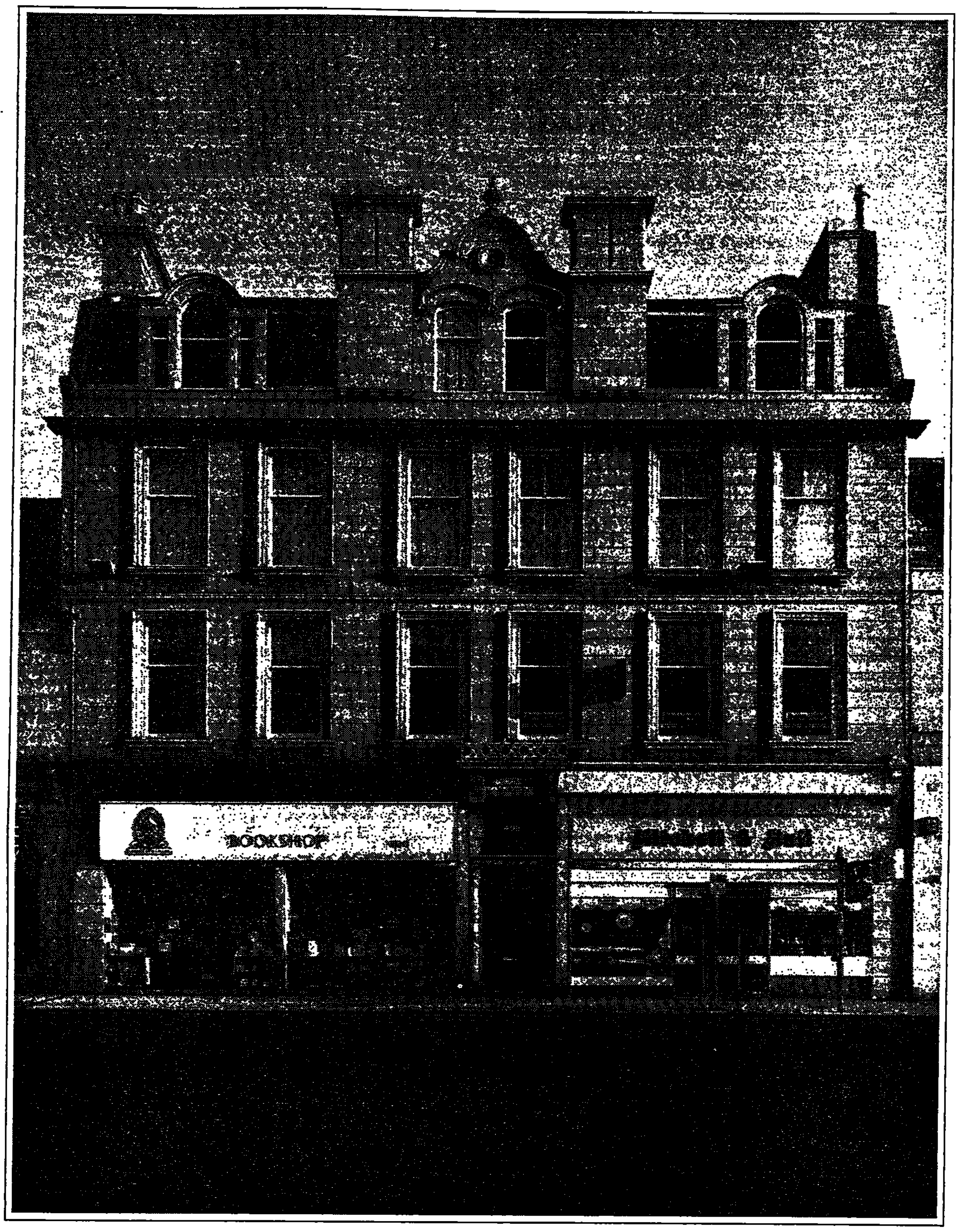
Shell proudly announces the discovery of what will prove to be a giant oil and gas find for Britain, the Brent Field.

**1 9 7 4**

The latest analysis of the Brent Field shows that the possible reserves of oil and natural gas liquids are double the original estimate. With Britain's oil deficit still around £3.8 billion, the news is welcome indeed.

**1 9 7 6**

The very high ratio of gas and gas liquids to oil being produced at Brent leads to a daring new scheme. A pipeline 278 miles long is to be laid on the seabed, to bring ashore the gas and gas liquids for separation. It will be the longest, and deepest, offshore pipeline ever built and is yet another challenge for British industry. Much of the technology required for North Sea development must be capable of operating in waves of up to 100 feet high, and in gusts of wind up to 100 miles per hour. In this instance, underwater cameras, side-scan sonars and computer systems are needed that will operate 600 feet beneath the sea.




**1 9 7 8**

The scheme is a success. Now it will be possible to bring the gas and gas liquids ashore for further use. The gas will be extracted and fed into the National Grid.

It would be possible to split the remainder into ethane, butane, propane and natural gasoline — important resources for industry. To do so, a highly advanced plant, costing many millions of pounds, will have to be specially built.

**1 9 8 0**

Work begins on the £400 million Gas Liquids Plant being built by Shell at Mossmorran, and on the 138 mile pipeline that will feed it. Soon Mossmorran will be the largest construction site in Europe.

**1 9 8 2**

Oil production from Brent approaches 310,000 barrels per day. This vast quantity helps transform Britain's oil deficit of yesteryear into a surplus of around £4.4 billion.

**1 9 8 4**

A VIP gathering to witness the opening of the new Mossmorran plant. Distinguished speakers touch on one or two environmental aspects of the plant, such as how it has been built tucked into the contours of the land so as to be as unobtrusive as possible. Also mentioned are the industrial aspects, such as how the hydrocarbons being produced will ultimately be used in the manufacturing of a thousand and one household items, from lipsticks to records.

But above all, it is noted that the opening of Mossmorran marks the culmination of the twenty years in which Shell, and the countless number of smaller British companies that have worked for her, have invested thousands of millions of pounds and great skill and ingenuity in the North Sea.

With excitement, we all look forward to the next twenty years.

YOU CAN BE SURE OF SHELL

# UK NEWS

## Satellite consortium plans to redesign broadcasting system

BY RAYMOND SNODDY

UNITED SATELLITES, the consortium planning to build the satellites for Britain's direct broadcasting by satellite (DBS) project is considering a redesign of the system.

The proposal is that the satellite system should become fully devoted to broadcasting and that the telecommunications capacity to be used by British Telecom should be dropped.

The original design envisaged a two-channel system that would also have four low-power transponders – the devices that receive the signal from earth and return it on a different frequency.

The members of the consortium that will operate the DBS service, who are drawing up their business plan for the project, have made clear that they prefer three channels.

The BBC is to have 50 per cent of the project, the ITV companies 30 per cent and the rest to a non-broadcasting "third force."

One way of getting three channels on a single satellite would be to drop the telecommunications transponders and use the power saved entirely for broadcasting three channels of programmes to earth.

If a decision is taken to redesign the satellites it would mean extra cost and further delays.

British Telecom is a founder member of the Unisat consortium. The other members are British Aerospace and GEC-Marconi.

It is believed that, if asked, BT would be prepared to give up the telecommunications capacity it booked on the satellites for business and data communication links.

Since the original Unisat design was conceived, telecommunication satellite capacity across the Atlantic has greatly increased and some even speak of a satellite glut.

A possible redesign of the Unisat satellites is not expected to affect the membership of the Unisat consortium. There will probably be two satellites in space with a third on the ground as a backup.

BT is likely to keep its present one-third equity stake in the consortium for what is seen by all parties as a fully commercial venture.

## Hattersley urges new watchdog on monopolies

BY PETER RIDDELL, POLITICAL EDITOR


Roy Hattersley: urging more intervention

THE BEHAVIOUR of companies must be more rigorously scrutinised by a new institution combining the duties of the Monopolies and Mergers Commission, the Office of Fair Trading and the former Price Commission, Mr Roy Hattersley, deputy leader of the Labour Party, argued yesterday.

The new commission should have long-term powers to prevent the creation of monopolies where they are undesirable and short-term powers to prohibit the exploitation of monopoly status.

Mr Hattersley's proposals on competition and monopoly were made to a conference of Usdaw, the shopworkers' union. They were intended to expand on the Labour and Trades Union Congress statement of economic planning and industrial democracy.

Mr Hattersley, who was Prices and Consumer Affairs Secretary in the 1977-79 period, argues that more vigorous intervention will be required in the type of mixed economy he wants to encourage.

He said the present legal presumption that a merger is in the national interest, unless the commission can prove to the contrary, should be reversed. The onus should be placed on the parties to demonstrate the desirability of their proposals.

In future, he said, inquiries must be given a definite end-date to prevent procrastination by companies within a sector.

The new commission should also be given powers to prevent dominant companies in a particular sector from charging prices which they would have been unable to obtain in a competitive market. The commission should also be given powers to roll back established prices as well as to block new price increases.

Mr Hattersley argued that in an economy the size of Britain's, some sectors might be best served by a single dominant enterprise but there should be strong safeguards. He was critical of current anti-monopoly regulations as being probably the weakest in the industrial world.

## BOC chief again tops earnings table

By Andrew Arends

MR RICHARD Giordano, the American chief executive of BOC, the industrial gases and health care group, is at £521,000 Britain's highest paid executive for the fourth year in succession, according to a report published today.

The report, published by the Labour Research Department, a trade union funded body separate from the Labour Party, says that 179 company directors made more than £100,000 in 1983, while 53 of them received more than £125,000.

If dividends from shareholdings are added to pay, then 40 executives received more than £250,000 in 1983. According to the report, three members of the Sainsbury family, with large holdings of J. Sainsbury shares, together received more than £9.5m in pay and dividends over the past year.

## Reshaping of retail pattern predicted

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A REVOLUTION in shopping over the next five years, similar to the widespread changes in retailing in the 1950s, is forecast today in a new report* from the Staniland Hall economic forecasting group.

The report, written by Mr Jan de Somogyi, a former economic adviser to Marks and Spencer, and Mr Richard Hall, says: "The boundary of retailing will be stretched to include financial services, life assurance, holidays and motor cars." The emphasis of retailing will move away from new product innovation towards new types of trading format.

Among the forces changing the shape of retailing will be new technology, Sunday trading, and the more flexible life-style of shoppers. The retail response it believes, will include growth of specialist stores and large retailers catering for a number of different product areas.

Overall, retail sales growth of 7.5 per cent a year in value terms is forecast up to 1986, with a 6.5 per cent sales growth each year from 1986 to 1990. Large supermarket chains, and specialists in electricals, furniture, leisure goods, and do-it-yourself are the sectors expected to show above-average growth.

The report also forecasts a slight increase in numbers employed in retailing, with a peak of nearly 2.5m being reached by 1988.

**Retailing in the UK economy to 1990; published by Staniland Hall Associates, 42, Colebrooke Row, London N1, price £96.*

## Councils may have to seek competitive bids

BY OUR POLITICAL EDITOR

PROPOSALS to force local authorities to seek competitive bids for a wide range of services are being considered by the Government.

A consultative paper on further steps in competitive tendering by councils is expected this month. It may lead to legislation in the 1985-86 parliamentary session.

Among the services that would be affected are refuse collection, street cleaning, school meals and some financial management operations.

Mrs Margaret Thatcher, the Prime Minister, indicated in a House of Commons written answer last week that she was dissatisfied with the performance of local authorities in that respect – only one council in nine has so far contracted out services.

The Government, she said, "has been considering what might be done to speed things up. We shall announce our intentions very shortly."

The Department of the Environment has so far relied mainly on encouragement to stimulate contracting out. It does not at present possess the more direct powers and financial leverage that the Department of Health and Social Security has been using to require health authorities to put cleaning and catering services out to competitive tender. After some delays and protests, most health authorities have complied.

An attempt to extend compulsory contracting-out to local authorities would undoubtedly lead to a further big clash between Whitehall and Labour-controlled local authorities and public-sector unions.

## ICI, Coe 'negotiations'

BY WALTER ELLIS

IMPERIAL Chemical Industries (ICI) yesterday refused to comment on a report that it is negotiating the purchase of Coe Laboratories, a U.S. manufacturer of dental equipment.

An official of ICI's pharmaceuticals division pointed out, however, that the U.S. was an important market for dental equipment and that acquisitions were one means being explored of developing that market.

Coe, based in Chicago, has annual sales of about $20m, but it is its American distribution network that is said to be of particular interest to ICI.

ICI hopes to have sales worldwide in the dental equipment sector of some $100m by the beginning of the 1990s. U.S. sales could be an important component of the total.

### Company Notices

**WORLDINVEST CORPORATION**
C/o Perterhill Secretaries (Jersey) Limited

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Worldinvest Corporation will be held on Thursday, 15 November, 1984 at Regis House, King William Street, London EC4R 9AR, at 10.30 a.m. for the purpose of considering and if thought fit, passing the following Resolutions:

That Worldinvest Corporation forthwith discontinue all business and be dissolved as of this date; that the Board of Directors of the Corporation may take all the steps necessary to consummate the dissolution of the Corporation and in particular appoint Mr. D. W. Bartlett, Liquidator of the Corporation.

That the Liquidator of this Corporation be and it is hereby authorised and empowered, without further action by the Stockholders of the Corporation, to take any and all actions and to do any and all acts and things which may, in the judgment of said Board, be necessary or proper to wind up the affairs of this Corporation.

That the property and assets of the Corporation, after payment of all liabilities and expenses of winding up its affairs, shall be distributed to the Stockholders of the Corporation in cash or kind, or part in cash and part in kind as said Liquidator may determine, and according to the number of shares held by each Stockholder.

That the President and the Secretary and Treasurer of the Corporation be and they are hereby authorised and directed to cause notice of the above resolutions to be given and to file and record any documents as may be required by law.

By Order of the Board
IAN C. N. TOOLE,
Secretary.
23 October, 1984.

# Treasury concedes spending increases

By Peter Riddell and Max Wilkinson

NEXT YEAR'S electricity price rise and the level of housing support are the main issues outstanding in the Treasury's £1bn battle with spending ministers which will go before the full Cabinet on Thursday.

The Treasury's effort to keep spending in 1985-86 to the planned total of £131.6bn also involves unfinished arguments over defence spending and agricultural support.

In spite of bargaining, which has been much tougher than in recent years, ministers still hope that the Chancellor of the Exchequer's autumn economic statement will be made in 10 days' time, ahead of the British Telecom flotation. It would then come immediately after the week of debates on the Queen's speech, which is to be made tomorrow.

Mr Nigel Lawson, the Chancellor, will warn his Cabinet colleagues that rising debt interest payments, the continuing effect of the miners' strike and overshoots in public spending programmes, have already reduced his scope for tax cuts in the next couple of years.

That has increased his determination to keep next year's spending plans down to the overall targets. Some spending ministers still believe that Mr Lawson is painting too gloomy a picture and underplaying his windfall of more than £1bn in extra North Sea oil revenues.

However, the Treasury has already been forced to concede some big spending increases for the next financial year. They include:

- Extra social security and unemployment payments of about £400m, mainly resulting from higher than predicted unemployment.
- An extra £1bn for local authorities.

Early this week Mr Peter Rees, the Treasury Chief Secretary, and Mr Peter Walker, the Energy Secretary, will have further discussions in the Star Chamber committee of senior ministers about the level of next year's electricity prices.

The Treasury is seeking an increase of up to £300m in the electricity industry's profits, which, Mr Walker claims, would force prices to rise by 6-7 per cent compared with the rise of 4½ per cent that he wants.

# Employers expect better prospect soon for jobs

BY JOHN LLOYD, INDUSTRIAL EDITOR

MOST SENIOR company executives believe that the prospects for both employment and productivity will improve in the near future, according to a Gallup survey. But they do not share the Government's view that the removal or reduction of "barriers to employment," like employment protection, collective rights and redundancy pay, will increase the number of jobs.

About half – 49 per cent – thought a reduction in pay and benefits would make no difference to employment totals or even (a small 4 per cent minority) might decrease employment. A further 37 per cent thought it would "possibly" increase employment and only 9 per cent thought it "definitely" would.

The survey was conducted across the 1,000 largest UK companies and a further 1,000 companies selected at random. It brought replies from 838 leading executives from companies employing 4m workers.

The findings, made public at the annual conference of the Confederation of British Industry (CBI) at Eastbourne, on the south coast of England, run counter to the increasing importance being placed by ministers, especially the Chancellor of the Exchequer, on the need to lower such barriers – particularly pay – so that jobs should grow.

Sir James Cleminson, president of the CBI and chairman of Reckitt and Colman, said that "there is the suggestion that a removal of the barriers might not have a dramatic effect. But I think it (the survey) is saying that, if we get it right – if we create the right conditions and the right attitudes – then there are opportunities and it does not reduce the essential need for competitiveness."

Sir James said that "there are more rays of hope about job prospects than for some years."

**A BOMB ALERT cleared the Grand Hotel, Eastbourne, yesterday of the 2,000 industrialists meeting for the annual conference of the Confederation of British Industry. An electronic sniffer detected the prior presence of explosives in a tin found in a bathroom. Police speculated that the tin was either a hoax or had been placed to "test" detection procedures.**

Some 30 per cent of those surveyed expect to be employing more workers in 12 months' time, against 25 per cent who expect to employ fewer – a 5 per cent balance. However, a balance of 17 per cent expect higher employment in five years' time.

The optimists are concentrated among small and medium-sized businesses. In companies employing more than 5,000 workers, a balance of 14 per cent expect lower employment levels in their companies over the next year and a balance of 6 per cent expect to employ fewer in five years' time.

The expanding sectors are thought to be services, especially leisure and tourism, and construction. Predictably, the survey found that companies with better industrial relations thought employment growth more likely.

A large number of respondents – 57 per cent – reported difficulties in filling jobs requiring certain skills and qualifications, particularly among small companies. Shortages were most acute for professionally and technically qualified workers, but included drivers and chefs.

# Austin Rover seeks injunction

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER, the volume car subsidiary of state-owned BL, will seek a High Court injunction today to halt the strike by its 28,000 manual workers for an immediate 20 per cent pay rise.

The injunction will be sought under the 1984 Trade Union Act, which came into force only on September 26. Austin Rover said that under section 11 of the Act it would seek to restrain the trade unions from inducing any employee to go on strike until a secret ballot has resulted in a majority vote.

With the workforce already divided and confused, there may be a chance of the strike's crumbling even before the provisions of the Government's controversial new trade union legislation have to be enforced.

Mr Harold Musgrove, the Austin Rover chairman, complained yesterday of "a militant minority who are manipulating the majority." The company is opening the factory gates today as normal and it guarantees work will be found for all those who ignore the strike call.

Such appeals have succeeded in the past at BL in splitting the workforce from the union leadership. The key test will come at the two big assembly plants of Cowley, Oxford, and Longbridge, Birmingham, which account for about 20,000 of the workforce.

Shop stewards (factory union representatives) from all Austin Rover's plants meet in Coventry today to review strategy after the breakdown of the latest round of negotiations. The company has taken a tough line, refusing to improve its offer of a 10.2 per cent pay rise spread over two years, although it has made concessions on lay-off and sickness pay.

Mr Musgrove yesterday described the concessions to the unions as "minor administrative points made to allow them to save face." He added that a dispute of one or two weeks would mean a cut in the pay offer already made.

Union negotiators are expected to recommend today's meeting of shop stewards to reject the deal, but suggest that the issue should be put to further mass meetings of the workforce.

Such a move is likely to meet vigorous opposition from stewards at Cowley and Longbridge who argue that they already have a mandate for a strike. Mr Jack Adams, the Longbridge convener, insisted last night that there was nothing new to recommend. He was confident Longbridge workers were solidly in favour of the strike.

The company must be confident that many of the workers in the eight or so smaller factories who have voted to accept the deal will report for work as normal. Among such rebel factories might be Swindon, in Wiltshire, with 2,700 workers, Llanelli in Wales (1,100) and Drews Lane, Birmingham (1,500).

# Brighton bombing defended by Adams

By Brendan Keenan in Dublin

THE ATTEMPTED assassination of members of the British Cabinet during the Conservative Party conference in Brighton last month was defended by Mr Gerry Adams, president of Sinn Fein, the political wing of the IRA, at the party's annual conference in Dublin yesterday.

Mr Adams, the Member of Parliament for West Belfast, said the bombing was not an attack on democracy but a reaction to the partition of Ireland, which he described as undemocratic, unwanted, illegal and immoral.

He warned of the possibility of reprisal attacks against Sinn Fein leaders and party stewards imposed security measures of a kind not seen at previous conferences.

Mr Adams, who was wounded in an attack by loyalist gunmen in Belfast earlier this year, accused the British Government of planning to assassinate Republican leaders.

Most of Mr Adams's speech was devoted to attacks on the Irish Government and on the need for Sinn Fein to improve its organisation in the Republic.

Apart from Brighton, he made virtually no reference to the campaign of the Provisional IRA, although the loudest applause came when Mr Adams saluted those captured on board a trawler carrying seven tonnes of arms destined for the IRA last September.

The emphasis of Mr Adams's speech suggested that his priority may be to increase the 5 per cent share of the vote which Sinn Fein received in the Republic in the European Parliament elections.





# THE IMPERIAL COLD STORAGE AND SUPPLY COMPANY LIMITED

*(Incorporated in the Republic of South Africa)*

**PROFIT AND DIVIDEND ANNOUNCEMENT**

The consolidated results of the group for the year ended 30 September 1984, together with the restated comparative results for the year ended 30 September 1983, are:

**CONSOLIDATED PROFIT**

| | 1984 R000 | % change | 1983 R000 |
|---|---|---|---|
| Turnover | 1 154 239 | +10.2 | 1 047 022 |
| Group operating profit before interest | 42 011 | +15.9 | 36 262 |
| Interest paid | 12 091 | | 12 538 |
| Group operating profit | 29 920 | Refer to Notes | 23 724 |
| Income from investments | 245 | | 522 |
| Group profit before taxation | 30 165 | | 24 246 |
| Taxation | 11 297 | | 11 027 |
| Group profit after taxation | 18 868 | | 13 219 |
| Share of associated company profits | 3 811 | | 2 112 |
| Group profit after taxation, including associated companies | 22 679 | | 15 331 |
| Preferent dividends | 3 536 | | 55 |
| Attributable to: | 19 143 | | 15 276 |
| —outside shareholders in subsidiaries | 4 166 | | 3 777 |
| —ordinary shareholders of the Imperial Cold Storage and Supply Company Ltd | 14 977 | +30.2 | 11 499 |
| Number of shares upon which: Earnings per share is based (000's) | 26 939 | | 26 710 |
| Earnings per ordinary share (cents) | 55.6 | | 43.1 |
| Effect of change in taxation (cents) | 3.6 | | — |
| Comparable earnings per ordinary share (cents) | 59.2 | | 43.1 |
| Dividends per ordinary share (cents) | 20.0 | | 20.0 |
| Items excluded from earnings: | | | |
| Attributable to ordinary shareholders | (1 621) | | 761 |
| Non-trading items | (501) | | 761 |
| Deferred taxation – rate adjustment | (1 120) | | — |

**NOTES:**

1. In accordance with generally accepted accounting practice the results of associated companies have been accounted for under the equity method. Comparative figures have been restated to recognise this change in accounting policy.
The effect of the above is to increase earnings per share by

| | 1984 | 1983 |
|---|---|---|
| Cents per share | 6.2 | 3.5 |

2. Following the termination of the use of the LIFO basis of stock valuation for tax purposes, and to facilitate meaningful comparisons, the group has reverted to the FIFO basis of stock valuation in the presentation of its financial statements.
The effect of the above is to increase earnings per share by

| | 1984 | 1983 |
|---|---|---|
| Cents per share | 19.5 | 6.2 |

3. The effect of the 1984 fiscal budget was to reduce earning by R961 000.
4. Percentage changes have not been stated as the figures are not comparable. The lower interest paid during 1984 resulted from the rights issue of preference shares and must be seen in conjunction with the dividend provided for on such shares.

**COMMENT**

During the past year, summer rainfall areas suffered the worst drought in memory. The economy weakened further and interest rates rose to unprecedentedly high levels. In these circumstances business declined in the perishable sector of the food industry but, through effective trading and increased efficiencies, the group achieved an improved performance when measured against disappointing results for the previous year. The reported results have also been materially influenced by the adoption of equity accounting and the lower taxation provision through the utilisation of past years' losses.

The group's operations are intimately affected by climatic conditions, which make forecasts difficult. In recent years, the group embarked on a programme of substantial capital expenditure for the extension and renewal of facilities in order to ensure that it has the capacity to meet the needs of a growing population. Much progress has been made in this area but the programme is, as yet, incomplete.

**FINANCIAL STATEMENTS**

The financial statements will be mailed to shareholders by the end of November 1984.

**DIVIDEND OF ORDINARY SHARES**

In view of the capital requirements of the company and the present economic circumstances, the board has considered it prudent to retain the dividend at the same level as in the previous year. A final dividend of 10 cents per ordinary share was therefore declared which, together with the interim dividend of 10 cents, brings the total dividend in respect of the year ended 30 September 1984 to 20 cents per share.

On behalf of the Board
W. H. Neat (Chairman and Managing Director)
J. M. Liebenberg (Executive Director)

**DIVIDEND No. 99 ON ORDINARY SHARES**

Notice is hereby given that a final dividend of 10 cents per share has been declared on the company's ordinary shares for the year ended 30 September 1984. The dividend will be payable to shareholders registered in the books of the company at the close of business on 30 November 1984.

The dividend is declared in the currency of the Republic of South Africa and becomes due on 1 December 1984. Dividends payable from the office of the company's London Transfer Secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 1 December 1984.

Dividend warrants will be posted on or about 11 January 1985. Non-resident shareholders' tax of 15% will be deducted from dividends where applicable.

The ordinary share registers of the Company will be closed from 1 December 1984 to 14 December 1984, both dates inclusive.

**INTERIM DIVIDEND No. 91 ON PREFERENCE SHARES**

Notice is hereby given that an interim dividend of 2.75% has been declared on the company's preference shares payable to shareholders registered in the books of the company at the close of business on 23 November 1984.

The dividend is declared in the currency of the Republic of South Africa and becomes due on 24 November 1984. Dividends payable from the office of the company's London Transfer Secretaries will be paid in United Kingdom currency at the rate of exchange ruling on 24 November 1984.

Dividend warrants will be posted on or about 28 December 1984. Non-resident shareholders' tax of 15% will be deducted from dividends where applicable.

The preference share registers of the company will be closed from 24 November 1984 to 7 December 1984, both dates inclusive.

By order of the Board
J. P. Enslin
*Secretary*

**Registered Address:**
171 Jacob Mare Street
Pretoria 0002

**Transfer Secretaries in the United Kingdom:**
Hill Samuel Registrars Limited
6 Greencoat Place, London SW1P 1PL

*31 October 1984*

**Transfer Secretaries:**
Consolidated Share Registrars Limited
1st Floor, Edura House
40 Commissioner Street
Johannesburg 2001
(P.O. Box 61051
Marshalltown 2107)

# UK NEWS

Arthur Sandles in Toronto reports on a mood of anxiety at the Abta convention

## Company failures alarm the travel trade

RECENT annual gatherings of the Association of British Travel Agents (Abta) have been heady mixtures of a little business and much celebration. This year the agenda looks much the same, but the background is different. There is a mood of a wake in the air.

The recent demise of Budget Holidays has provoked an unprecedented outbreak of soul-searching among UK agents and tour operators. The failure of Laker, and before that Horizon and Clarksons, caused vastly greater commercial and organisational problems for those required to clear up afterwards. But Budget, with its tangle of fast-moving links with Excel and Vantage Holidays, has uncovered a failure of policing by both the industry and the government agency involved, the Civil Aviation Authority (CAA), which is likely to be the burning issue of the next few days.

Vantage Holidays ceased trading as the summer came to a close. Abta, which organises rescue operations when its member companies have problems, had four hours in which to find someone to handle Vantage clients. It chose Excel, a company which shared many Vantage flights and hotels.

It later emerged that the two companies either were, or had been, financially linked. Excel then failed to meet Abta's membership requirements and was kicked out. It too then ceased trading.

It then came out that Vantage's bond lodged with the Civil Aviation Authority against collapse was as much as £1.7m less than was needed for the rescue of its clients.

Next in line was Budget Holidays, not a member of Abta but, it is now known, closely linked with Vantage which was. It is being said that the link was kept quiet so that Abta retailers would not boycott Vantage Holidays. Retailers do not like dealing with groups that also sell holidays direct to the public – although Thomson, through Portland Holidays, and British Airways, through Martin Rooks, have been doing so for years.

Abta members are alarmed on two counts. The public image of the industry has taken a nasty knock. The failures and the financial complications that surrounded them have undermined public confidence in the policing systems, a trend which hits hardest at the smaller operators and agents that are still the backbone of the travel business in Britain.

At the same time both the small agents and the majors are bothered by the fact that the short fall in bonds means that there may be further financial calls on them to help the customers of less financially secure companies. There is also the constant worry that the public furore may provoke government intervention even from a non-interventionist Tory administration.

One way this might happen is through strengthening of the policing body, the CAA. The authority, just recovering from its beating over the Laker affair, and not at its friendliest with Whitehall after the row over transatlantic air fares, is thinking over what it might be able to do.

In the past few weeks leaders of the travel industry have been sent a consulting document which suggests a substantial increase in basic bonding requirements. At the moment before a company can carry passengers on air package tours it has to lodge a bond which is used, in the event of the company's failure, to rescue clients.

A completely new company has to lodge, or find a guarantor for, 15 per cent of its projected turnover. If the same company is a member of Abta, the figure would be 10 per cent because of Abta's cross-guarantees or even 7 per cent for the groups with a good track record.

The present suggestion is that these figures should be increased by 3 per cent all round.

It is not, however, the bonding level that is under the closest scrutiny. It is the fact that companies seem to be affecting to be small to get a licence and then going for large numbers of customers – far in excess of what the bond would cover.

For public companies like Saga, Intasun and Horizon, which are required to face constant open scrutiny, the fact that others seemingly pull figures out of the air to get licences is particularly irritating.

"Something has got to be done about it," says Horizon's Ken Franklin. "We all know what some people are getting away with."

Knowing and saying are, of course, two different matters. In the days before the Budget collapse this newspaper, in common with others, received several inquiries from customers wanting to know if Budget was safe. Libel and slander laws made the question unanswerable. Yet at that time Budget was within the four-week time schedule that it had been given by the CAA on September 28 to raise guarantees of £900,000.

Over the past few weeks there has been a growing unease about the whole situation. Britain's tour operators are subject to annual licence renewal half of them in April and the other half in October. At the start of last month some 360 operators were up for checking. Of these, 27 did not bother to apply and by the end of the month, of those that had applied, 14 had still failed to complete the necessary procedure.

The financial strain of tour operating is obviously considerable. Since April of this year 18 air tour operator licence holders have ceased trading, twice as many as in the whole of the previous year.

There is no doubt that the rules could be made so strict as to be almost foolproof. Bond levels could be made higher. Each tour sold might have to carry a bond stamp and an operator would only get the number of stamps for which he was bonded. Britain could move to an escrow system under which cash paid for tours was only released from a central trust fund when a tour had been completed.

Another is that central authority should get out of the guarantee business altogether and leave customers to fend for themselves.

The CAA is well aware of the difficulties which it faces. "Our problem is that we do not want to make things so difficult that we stifle normal trade. We might make it impossible for small companies to grow. We might do the very thing we are trying to stop by making the financial constraints so burdensome that we force people out of business."

What members of Abta will be wanting to see this week is some way at least of tightening the scrutiny of companies. To do this without interference with normal business activities or without such expense that Abta fees or CAA funding from Government would have to be increased is going to be difficult.



EUROPEAN GROUPS FACE TIGHT MARKETS

## Warning on paper capacity

BY ANDREW FISHER

GROWTH in capacity among West European paper companies is expected to exceed the increase in demand by a large margin, according to a study by ECC International, part of English China Clays.

"The European printing and writing industry in general faces a severe problem of overcapacity for the remainder of the decade," it concluded.

The rise in production capacity is likely to be nearly three times the forecast growth in European demand over the next five years, according to the report.

At the end of last year, installed capacity for all types of printing and writing paper was 15.9m tonnes. A further 2.58m tonnes is estimated to come on stream by 1988.

Over the same period, the study forecasts that demand would go up by only 890,000 tonnes from the end-1983 level of 12.09m tonnes.

European demand has, however, been augmented by sales abroad, where the strong dollar has improved the competitive position of European companies.

Exports to North America, sixth largest of foreign markets for European producers, jumped last year from just over 130,000 tonnes to some 270,000 tonnes.

However, the ECC report did not expect high dollar rates and supply tightness in the U.S. market to continue.

The study said most individual projects in the industry were notable for their sheer size. Most new tranches of tonnage were around 100,000 tonnes each or more – about twice the level of the late 1960s and early 1970s.


Over the same period, however, growth in demand has fallen dramatically. Growth up to 1988 is expected to average 1.4 per cent a year, with this and next year being above average.

The slowing down of the growth in demand means it now takes longer for new capacity to be absorbed into the market, "leading to periods of overcapacity in excess of that endemic in the industry."

It noted that advertising expenditure had held up during the latest recession, as companies had fought for a share of slower growing markets.

Advertisers were becoming more selective about how to reach markets.

## BAT faces challenge in W. German courts

BY LISA WOOD

THE BID by BAT Industries to establish Barclay, its new low tar cigarette, in the West German market has run into trouble.

Three rival tobacco companies have applied for temporary injunctions against BAT's West German operation, alleging that the tar and nicotine levels of the cigarette are higher than those stated by BAT.

The company introduced the cigarette into the West German market – where it is known as Barclays – less than one month ago. Controversy has surrounded the cigarette, since its introduction in 1981, with court actions in the U.S. and Switzerland and problems in Benelux countries.

Competitors have alleged that there is a discrepancy on tar and nicotine levels when the cigarette is smoked by a human rather than tested on a machine.

The competition alleges that the cigarette's new filter is crushed and loses some of its effectiveness when in the mouth.

The applications in West Germany for the injunctions have come from the German subsidiaries of two major U.S. companies, R. J. Reynolds Industries and Philip Morris and a German manufacturer, Reemtsma.

They want BAT to either withdraw the cigarette from the market or to change its production or marketing.

Full legal proceedings will start if local courts in Cologne and Munich agree to issue the injunctions. The decisions are expected later this month.

In the U.S. last year a court ruling that the cigarette produced between three to seven milligrams of tar, and not one milligram, is on appeal.

The cigarette, however, still comes within the low tar category and has won some 0.8 per cent of the U.S. market.



TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (C), WATLING STREET, LONDON EC4M 9AA NOT LATER THAN 10.00 A.M. ON WEDNESDAY, 7TH NOVEMBER 1984, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 P.M. ON TUESDAY, 6TH NOVEMBER 1984.

ISSUE OF £1,100,000,000

# 9¾ per cent EXCHEQUER STOCK 1998

MINIMUM TENDER PRICE £93.50 PER CENT

PAYABLE AS FOLLOWS:

| | |
|---|---|
| Deposit with tender | £20.00 per cent |
| On Monday, 10th December 1984 | £40.00 per cent |
| On Monday, 14th January 1985 | Balance of purchase money |

INTEREST PAYABLE HALF-YEARLY ON 19TH JANUARY AND 19TH JULY

*This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.*

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for £1,000,000,000 of the above Stock; the balance of £100,000,000 has been reserved for the National Debt Commissioners for public funds under their management.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 19th January 1998.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 19th January and 19th July. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 19th July 1985 at the rate of £5.7671 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (C), Watling Street, London EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 7TH NOVEMBER, 1984 or at any of the Branches of the Bank of England or the Glasgow Agency of the Bank of England not later than 3.30 P.M. ON TUESDAY, 6TH NOVEMBER 1984. Tenders will not be revocable between 10.00 a.m. on Wednesday, 7th November 1984 and 10.00 a.m. on Monday, 12th November 1984.

Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £93.50 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

A separate cheque representing a deposit at the rate of £20.00 for every £100 of the NOMINAL amount of Stock tendered for must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

| Amount of Stock tendered for | Multiple |
|---|---|
| £100—£1,000 | £100 |
| £1,000—£3,000 | £500 |
| £3,000—£10,000 | £1,000 |
| £10,000—£50,000 | £5,000 |
| £50,000 or greater | £25,000 |

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be be allotted at the allotment price to the Governor and Company of the Bank of England Issue Department.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and any refund of the balance of the amount paid as deposit, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, the balance of the amount paid as deposit will when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid as deposit will be returned likewise. Payment in full may be made at any time after allotment but no discount will be allowed on such payment. Interest may be charged on a day-to-day basis on any overdue amount which may be accepted at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1 per cent per annum. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for the relevant payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate. Default in due payment of any amount in respect of the Stock will render the allotment of such Stock liable to cancellation and any amount previously paid liable to forfeiture.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London, EC4M 9AA on any date not later than 10th January 1985. Such requests must be signed and must be accompanied by the letters of allotment (but a letter cannot be split if any payment is overdue).

Letters of allotment must be surrendered for registration, accompanied by a completed registration form, when the balance of the purchase money is paid, unless payment in full has been made before the due date, in which case they must be surrendered for registration not later than 14th January 1985.

Until the close of business on 14th June 1985, Stock issued in accordance with this prospectus will be known as 9¾ per cent Exchequer Stock, 1998 "A". The interest due on 19th July 1985 will be paid separately on holdings of the existing 9¾ per cent Exchequer Stock, 1998 and on holdings of "A" Stock as at the close of business on 14th June 1985; consequently, interest mandates, authorities for income tax exemption and other notifications recorded in respect of holdings of existing Stock will not be applied to the payment of interest due on 19th July 1985 on holdings of "A" Stock.

The last date for lodgment at the Bank of England of transfers for registration as "A" Stock will be 12th June 1985. After this date, for purposes of certification the "A" Stock will not be distinguished from the existing 9¾ per cent Exchequer Stock, 1998. From the opening of business on 17th June 1985, the "A" Stock will be amalgamated with the existing Stock.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow, G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

BANK OF ENGLAND
LONDON
2nd November 1984

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (C), Watling Street, London EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY, 7TH NOVEMBER 1984, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St. Vincent Place, Glasgow G1 2EB) not later than 3.30 P.M. ON TUESDAY, 6TH NOVEMBER 1984.

ISSUE OF £1,100,000,000

9¾ per cent Exchequer Stock, 1998

MINIMUM TENDER PRICE £93.50 PER CENT

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 2nd November 1984 as follows:

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:

| Amount of Stock tendered for | Multiple |
|---|---|
| £100—£1,000 | £100 |
| £1,000—£3,000 | £500 |
| £3,000—£10,000 | £1,000 |
| £10,000—£50,000 | £5,000 |
| £50,000 or greater | £25,000 |

1. NOMINAL AMOUNT OF STOCK £

Amount of deposit enclosed, being £20.00 for every £100 of the NOMINAL amount of Stock tendered for (shown in Box 1 above):—

2. AMOUNT OF DEPOSIT(a) £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £93.50:—

3. TENDER PRICE(b) £ p

I/We hereby engage to pay the instalments as they shall become due on any allotment that may be made in respect of this tender, as provided by the said prospectus.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

November 1984

SIGNATURE
of, or on behalf of, tenderer

PLEASE USE BLOCK LETTERS

| MR/MRS/MISS | FORENAME(S) IN FULL | SURNAME |
|---|---|---|
| FULL POSTAL ADDRESS | | |
| | POST-TOWN | COUNTY | POSTCODE |

FT

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "New Issues." Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

FINANCIAL TIMES SURVEY
Monday November 5 1984

# STEEL INDUSTRY

The industry is adapting to changing needs by using new technology to cut costs and increase revenues in the making of sophisticated higher value steels

## All eyes on the U.S.

**THE WORLD'S battered steel industries can look forward to a few years of relative stability in which to redirect their efforts, thanks to President Reagan's decision in September to negotiate import volume restraint agreements with the main steel-producing countries.**

BY IAN RODGER

Most of those who take advantage of this opportunity will probably conclude that they must close capacity. The western world's steel capacity now stands at close to 600m tonnes while consumption in this, a year of strong recovery, is likely to reach only 438m tonnes.

Moreover, as Mr Lenhard Holschuh, secretary general of the International Iron and Steel Institute, said recently, "There is no indication of any trend pointing to a major improvement of any sort in demand for steel, and certainly not in tonnage."

However, that is by no means a condemnation of the industry to maturity and decline. The technology of steelmaking is moving quickly, providing producers with many opportunities to cut costs, improve yields and increase revenues by making sophisticated, higher value steels.

"In the marketplace, the main competition for steel products has come from improved steel products," Mr Holschuh said at the IISI's annual conference last month in Chicago.

For the moment, the industry's attention is focused mainly on the international trade issue. As a result of President Reagan's decision to limit steel imports to 20.5 per cent of the U.S. market for the next five years, virtually all of the world's trade in steel is now managed by governments.

Cynics, with a glance at the Multi Fibre Agreement, could argue that open trading in steel is unlikely to reappear for the foreseeable future, and they may be right. Perhaps a more brutal response by the Americans to dumped and subsidised steel imports would have precipitated a rapid shakeout and restoration of stable market conditions. But experience shows that few governments are willing to forsake their steel industries, regardless of cost.

The big question now is what might be called the big carve-up. Everyone wonders how total steel imports to the U.S., running at 25.4 per cent of the market in the first half of 1984, will be trimmed to 20.5 per cent starting next year. Imports of finished steel must be reduced from 24.2 per cent to 18.5 per cent.

The problem is that the European Community has a firm deal with the U.S, entitling it to about 5 per cent of the market for finished products. The Japanese producers have an informal understanding allowing them roughly 5 per cent, and the Canadians have another 2.5 per cent that is not subject to control because they still trade fairly.

That leaves 6.5 per cent of the market to be shared out among some 30 countries, including South Korea and Brazil which together accounted for 3 per cent last year. Brazil has already agreed to halve its annual deliveries to the U.S. to 430,000 tonnes, but that is unlikely to be enough.

### Relief for Brazil

Brazil has found some relief by investing in a rolling complex in California for which it will supply slabs. This is the latest of many attempts to create greater trade in semi-finished steel, but there is still no sign that steel will follow other metal and chemical industries and become significantly less national or less integrated in structure.

Last year, the British Steel Corporation and United States Steel failed to reach agreement on a project that would have seen over 2m tonnes a year of semi-finished steel moving from Britain to the U.S.

Japanese producers, which have been prominent in world trade in steel in recent years, have taken a different approach to the problems created by new barriers to trade. On the one hand, they are pushing hard to develop new markets, especially in China where last year they exported 6.7m tonnes, nearly a quarter of their total exports.

They have also been investing heavily in U.S. steel companies on the assumption that they can help them improve productivity and profits. The biggest deal to date was Nippon Kokan's purchase for $575m last April of a 50 per cent stake in National Steel, the fourth largest producer in the U.S.

For the Europeans, the timing of the U.S. move could hardly be worse, coming just as the European Commission is trying to restore freedom in the EEC steel market. A first step was taken last month with the announcement of increased quotas next year for importers into the Community.

The hope is that EEC producers, having restructured their operations, will be able to stand up to the competition from developing countries.

All of the market control measures under the seven-year old Davignon Plan for restructuring the EEC steel industry—price supports, production quotas and import controls—are supposed to be removed at the end of next year. But there is considerable scepticism both in and outside of the EEC that this goal will be achieved.

In June last year, member countries agreed to stop subsidising their steelmakers by the end of 1985. To make this possible, it was also agreed that capacity had to be reduced by 26.7m tonnes to 141.9m tonnes.

The Commission, for its part, would authorise further subsidies only if the company concerned had submitted credible plans for cutting capacity and returning to financial viability.

So far, progress in most countries is encouraging.

M René Loubert, the new chief executive of France's Usinor, confesses that the French will probably not make the December 31 1985 deadline but they are determined to achieve viability and will be only a few months behind.

However, even if all the producers do meet the agreed targets, it is no longer clear that this will be enough. Steel consumption in the EEC will be about 94m tonnes this year, and net exports about 15m tonnes, so overcapacity is likely to remain a major obstacle to market stability unless further action is taken.

Despite these and other problems, the outlook for the world steel market is probably a little brighter than it has appeared for some time. While no one expects volumes to increase much, if at all, in the next few years, a number of other factors could gradually improve market conditions.

● The EEC is not the only area where capacity is being reduced. In the U.S., for example, capacity has declined from a peak of 140m tonnes in 1980 to 123m tonnes this year, and Mr Don Trautlein, chairman of Bethlehem Steel, the second largest producer, estimates another 5m to 10m tonnes will go in the near future. In Japan, Nippon Steel, the largest producer, is taking out 15 per cent of its 47m tonne capacity and others are following.

### Spending cuts

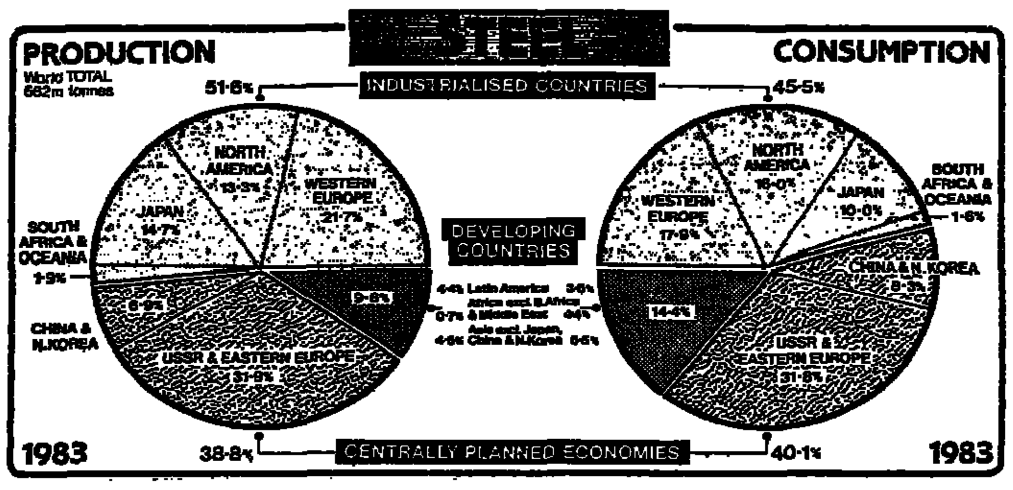
● Developing countries are cutting back their spending on new steel capacity. Statistics recently published by the IISI show that spending on steel by five important developing countries, Brazil, Chile, Mexico, Venezuela and Korea, dropped from $4.8bn in 1979 to under $2bn last year.

● The domestic markets in the developing countries are growing, and so their steelmakers' need to export should ease in the next few years. Sr Cavalcanti of Siderbras points out that if Brazil's consumption this year were at the same level as that of 1980, the country would have no steel available to export.

● New production technologies are both reducing the cost of steels and improving their quality, thus enabling them to be more competitive again against materials to which they have lost ground. For example, one expert forecast recently that tinplate would soon win back ground against aluminium in beverage cans.

The big question is whether these trends will be strong enough to give steelmakers the confidence to break out of the protective shell with which they have now surrounded themselves. If the record of the textile and garment industries is anything to go by, then the prospects are not encouraging.

The Multi Fibre Agreement was originally established in 1974 as a four year temporary system to enable western companies to adjust to competition from the Far East. It is now likely to be renewed for another 10 years, despite new technology and market developments that have greatly improved the competitive position of western companies over the past few years.




### Top 20 countries

1982 and 1983 (million metric tonnes crude steel production)

| | 1983 Rank | 1983 Tonnage | 1982 Rank | 1982 Tonnage |
|---|---|---|---|---|
| USSR | 1 | 152.5 | 1 | 147.2 |
| Japan | 2 | 97.2 | 2 | 99.5 |
| U.S. | 3 | 75.6 | 3 | 67.6 |
| China | 4 | 39.9 | 4 | 37.1 |
| FR Germany | 5 | 35.7 | 5 | 35.9 |
| Italy | 6 | 21.8 | 6 | 24.0 |
| France | 7 | 17.6 | 7 | 18.4 |
| Poland | 8 | 16.4 | 9 | 14.8 |
| Czechoslovakia | 9 | 15.0 | 8 | 15.0 |
| UK | 10 | 15.0 | 10 | 13.7 |
| Brazil | 11 | 14.7 | 13 | 13.0 |
| Romania | 12 | 13.5 | 12 | 13.1 |
| Canada | 13 | 12.8 | 14 | 11.9 |
| Spain | 14 | 12.7 | 11 | 13.2 |
| Republic of Korea | 15 | 11.9 | 15 | 11.8 |
| India | 16 | 10.2 | 16 | 11.0 |
| Belgium | 17 | 10.2 | 17 | 10.0 |
| German DR | 18 | 7.2 | 19 | 7.2 |
| South Africa | 19 | 7.0 | 18 | 8.2 |
| Mexico | 20 | 6.9 | 20 | 7.1 |

### Top 20 producers

(1982 and 1983; Million metric tons crude steel output)

| | 1983 | | 1982 | |
|---|---|---|---|---|
| Nippon Steel | 1 | 26.9 | 1 | 28.3 |
| U.S. Steel | 2 | 13.4 | 5 | 11.0 |
| British Steel | 3 | 12.7 | 4 | 11.4 |
| FINSIDER | 4 | 12.2 | 2 | 13.3 |
| Nippon Kokan | 5 | 11.4 | 3 | 12.0 |
| Kawasaki | 6 | 10.4 | 7 | 10.9 |
| Sumitomo | 7 | 10.3 | 6 | 10.9 |
| Thyssen | 8 | 10.0 | 8 | 9.6 |
| Bethlehem | 9 | 9.7 | 9 | 9.5 |
| USINOR* | 10 | 9.0 | 11 | 8.8 |
| Pohang Iron and Steel | 11 | 8.4 | 10 | 8.8 |
| Jones and Laughlin | 12 | 6.9 | 17 | 5.9 |
| SACILOR† | 13 | 6.3 | 12 | 6.7 |
| National Steel | 14 | 6.2 | 18 | 5.0 |
| SAIL | 15 | 6.1 | 13 | 6.7 |
| Kobe Steel | 16 | 6.1 | 14 | 6.4 |
| Inland Steel | 17 | 5.7 | 20 | 4.7 |
| Republic Steel | 18 | 5.7 | 21 | 4.6 |
| BHP | 19 | 5.5 | 16 | 6.3 |
| ISCOR | 20 | 5.4 | 15 | 6.4 |

* Including Compagnie Française des Aciers Spéciaux.
† Including majority-owned subsidiaries SOLLAC, Société Métallurgique de Normandie and Dillinger Hüttenwerke.

**Paul Cheeseright** reports on EEC efforts to lift controls without too much upset to market conditions

# More complex in practice than in theory

EUROPEAN Community industry ministers this month start to come to terms with their commitment to lift controls off the steel industry at the end of next year. Over the next few months they will find it technically more difficult to disperse the European cartel than it was to establish it.

The theory is relatively simple. By the end of 1985, the industry should have made enough capacity cuts to bring its production ability into line with the likely shape of the market. Subsidies will be unnecessary. The companies should be able to stand on their own feet and to compete freely.

The present reality, however, is that a panoply of controls covers the industry. They are designed to provide protection while the painful restructuring takes place.

**EEC steel cuts**

('000 tonnes)

| | 1980 maximum capacity | 1980-83 closures and commitments | Commission's June 1983 demand | Total |
|---|---|---|---|---|
| COMMUNITY of which | 169,601 | 18,436 | 8,300 | 26,736 |
| Germany | 53,117 | 4,810 | 1,200 | 6,010 |
| Italy | 36,294 | 2,374 | 3,460 | 5,834 |
| France | 26,869 | 4,681 | 630 | 5,311 |
| UK | 22,840 | 4,000 | 500 | 4,500 |
| Belgium | 16,028 | 1,705 | 1,400 | 3,105 |
| Netherlands | 7,297 | 250 | 700 | 950 |
| Luxembourg | 5,215 | 550 | 410 | 960 |

Basic steel products are subject to production quotas and minimum prices, expressed as a maximum discount from a guideline price, are applied to about half of total production. Imports are held down through agreements with outside suppliers. Exports are held back by an agreement with the U.S.

The outside trading agreements will no doubt continue after 1985. The agreement with the U.S., effectively confining the EEC industry to about 5 per cent of the market for carbon steel products, is deemed necessary by American steelmakers to protect their position on their domestic market.

The EEC's arrangements for imports are negotiated yearly and seek to hold imports to about 10 per cent of the market.

The question for the ministers, rather, is to find some way of lifting the internal controls without causing too much dislocation to market conditions. This would suggest some form of phasing out period that perhaps might include the raising of production quotas gradually to levels where they become of academic interest.

Concomitant, it will also be necessary to stop the monitoring of intra-EEC steel trade flows, which are being maintained at traditional levels.

Short of a sustained and major improvement in the level of demand, the greater problem of transition is likely to be price levels.

*Since the introduction of* minimum prices at the beginning of this year, aimed at stopping heavy discounting which appeared in the second half of 1983, the Commission has sought to edge prices upwards, back to their levels of 1982.

There has been some success, helped by a greater stability of demand, with production held on a tight rein, but the policy has met natural opposition from consumers. They have complained that it is pointless trying to push prices up when existing minima have not been holding in, for example, France on the hot-rolled coil and cold-rolled sheet markets.

Clearly there is danger of a price war when all controls are lifted. There is hardly a company in Europe—among the main producers—which would be able to sustain that for very long.

## Target date

This raises the point about whether the industry itself will be ready by the target date to stand on its own two feet without subsidies. No approaches have been made to the Commission about an extension of the so-called steel aids code, but there are serious doubts about whether some companies will be able to continue without official financial backing.

The producers in France Italy and Belgium are most often cited in this regard; and doubts have arisen about the extent to which the miners' strike in the UK has put back the hopes of the viability of the British Steel Corporation.

A movement over the next few months to extend the subsidies system is at least a possibility, although it is likely to be contested politically by, above all, West Germany.

Nevertheless, at different rhythms of intensity, substantial cutbacks in capacity are taking place throughout the EEC industry. The Commission, which has to approve subsidy plans put in by national governments, is proving very sticky unless the companies can demonstrate their viability by the end of 1985. And the subsidies are not permitted, in any case, unless they are tied to restructuring.

The EEC is moving into the final stages of a minimum plan for capacity cuts agreed in November 1982. The governments agreed that over 30m tonnes of capacity needed to be shed from 1980 levels. By June last year, actual plant closures and commitments had reached only 18.4m tonnes. So the Commission demanded, and this was accepted, further cuts to bring the total to 26.7m tonnes.

The total will probably edge higher than that for normal commercial reasons. In West Germany, Thyssen, for example, plans cuts of 4.5m tonnes when the total Commission demand for the country is just over 6m tonnes.

For the moment, though, as the effects of the cuts shows up on balance sheets and as market conditions have improved, the general financial situation of the EEC producers has improved. Crude steel production in the EEC in the first three quarters of this year was 89m tonnes, compared with 80m and 87m tonnes respectively in 1983 and 1982.

# Optimism that worst is over

## Italy

JAMES BUXTON

THE ITALIAN steel industry *has enjoyed a marked upturn* in demand this year which, combined with the fact that major restructuring of the *industry is at last going ahead*, is making steelmen optimistic that the worst may be over.

What the "worst" means can be measured in terms of the deficit of Finsider, the state steel industry holding company, which is reckoned to have lost *about U.S.$4bn* in the past four years, but saw a 25 per cent decrease in its losses in the first half of this year. It can *also be measured in terms of* strife with the unions over plant closures and battles between the Italian Government *and the EEC Commission in* Brussels.

The difficulties of the last few years were caused mainly *by the enormous reluctance of* the Italian state sector to cut its steel-making capacity—at 36.6m tonnes—the second largest in Europe, after West Germany.

Finsider's managers and their political masters *simply failed* to grasp the scale of the post-1974 recession and its effect on steel demand. *Indeed until* 1980 Italy was toying with the idea of building a fifth very large integrated steel complex *in the south of the country.* Little was done to prepare the labour force or the public in the cities like Genoa and *Naples with their big steel* plants that closures would have to come.

In the end, however, the failure of the Italian Government to come up with adequate plans for the closure of surplus steel capacity led to the EEC in mid-1983 giving *Italy* what amounted to an ultimatum. It insisted that Italy produce plans to cut capacity *by 5.8m tonnes—of which all but 1m* tonnes was to be in the public sector.

Soon afterwards, Finsider, oppressed *by the scale of its* losses, produced a plan to cut its capacity by 3.8m tonnes, leaving 2m tonnes to be trimmed by the *private sector. This has in effect* been accepted by the EEC Commission.

It involved the closure of most of the integrated plant at Genoa. Production carried out at Genoa *would in future be concentrated at the modern plant* at Taranto in the south, and the plant at Bagnoli near Naples would also *be taken out of production.*

In practice, however, Italy is juggling the cuts to keep part of Bagnoli open, even though it *is uneconomic to do so.* Nevertheless the basic closures plan is going ahead, and a Government-funded scheme for giving *20,000 Finsider employees early* retirement at the age of 50 has come into effect.

### Laid off

Finsider retired 10,000 men in the first eight months of this year, *while a further 7,000 have* been laid off, and the company says that some 32,400 men have been cut from the steelmaking *labour force since 1980. Not* surprisingly, Finsider's accounts are beginning to improve slightly.

*Italy's private sector steel* industry is also going through a traumatic time, though the impact is more diffuse as the *17m tonnes of capacity is spread* over about 100 companies, almost all using electric arc furnaces in mini-mills. Although the industry *has* also benefited like Finsider from the 17 per cent *upturn in steel output* in the first half of this year, it is seriously worried both by the high price of its main raw *material*, scrap iron, and by the high cost of electricity.

The private sector now sees the advantages of the produc*tion methods hitherto used only* by the state sector of the industry. A group of private steelmakers has agreed in principle *to take over the "hot area" of* the Cornigliano works at Genoa which will be used to make semi-finished products *which will be transformed into* long products in the private sector's own plants.

The agreement has not yet been finalised, but *it ought to* mean the saving of some 1,500 jobs at Cornigliano that would otherwise have been lost. The *private sector* companies would then cut their capacity by an equivalent amount, in addition to making the 2m tonnes worth of capacity cuts which the EEC is insisting on by the end of next year.

The Italian Government will finance half the cost of closures, but it remains uncertain whether the independent-minded steelmakers of Brescia will actually carry out all the cuts.

The Italsider complex at Bagnoli, Naples, one of the plants affected by European restructuring plans. The Italian authorities are hoping to keep at least part of it open

# Leaner and fitter

## Benelux

PAUL CHEESERIGHT

THE MAJOR steel producers in Belgium, *the Netherlands and* Luxembourg are all beginning to gain the financial benefits from the restructuring programmes put in train over recent years. Their generally leaner appearance has enabled them to cash in more effectively on stronger demand and higher prices.

Financial improvement was foreshadowed at Hoogovens of the Netherlands towards the end of last year and prospects of the first annual profit in five years were confirmed after the first quarter.

At Arbed of Luxembourg the infusion of state funds helped the group to a first half net profit of LuxFr 212m against a loss in the same period of 1983 of LuxFr 945m.

Cockerill Sambre of Belgium managed over the first half of this year to make a gross operating profit of BFr 376m compared with a loss in the 1983 first half of BFr 1.97bn, and its overall cashflow has improved.

At the beginning of the year there was a great deal of discussion and speculation involving both companies and governments about the prospects of a threeway production sharing agreement. But it proved impossible to find a *way of linking* Hoogovens' interests into what seemed a more natural arrangement between Arbed and Cockerill.

Arbed and Cockerill's plans won government approval in January. The effect was to give Cockerill's steel basins at Liege and Charleroi, the Arbed operations in Luxembourg and those of its Belgian unit, Sidmar, at Ghent, a distinct production role.

The production-sharing came into effect almost immediately.

The agreement was also a part of the general capacity cutting taking place within the scope of the EEC's scheme to restructure the steel industry. In total, Arbed has had to cut 960,000 tonnes from its 1980 capacity of 5.2m. The total cutbacks demanded from Belgium's complete industry have been 3.1m tonnes from 16m tonnes.

In June last year the Commission demanded from Hoogovens a total of 950,000 tonnes in cuts from its capacity of 7.3m. Its own plans, however, are leading it to cuts of 1m tonnes.

*All three are the beneficiaries* of government subsidies. At the beginning of this month Arbed was waiting to hear from the Commission about approval of an extra LuxFrs 9.3bn, one effect of which would be to lift the government stake in the company from 24 per cent, the result of earlier cash infusions, to over 30 per cent.

The fact, however, that the major political decisions have been taken about restructuring and how to finance them has meant that in each country steel is no longer the politically contentious subject it was a year or so ago.



# Race is on to put industry to rights before subsidy deadline

## West Germany

PETER BRUCE

PROBABLY BECAUSE of the spread of private and public sector interests, the race to set the steel industry to rights before the end of next year, when the European Commission has ruled all steel subsidies must come to an end, promises to be as absorbing in German steel as anywhere else.

*Before the steel crisis began* to hurt in West Germany, *it* was fashionable in the Ruhr and Rhine steelmaking areas to argue that German steel really was an exception; the powerful private sector producers like Thyssen, Krupp and Klöckner adopted an almost patronising attitude to the troubles faced by state-owned producers in the UK, France and Italy.

*When the steel crisis was at* its height 18 months ago, and producer confidence in the Commission's restructuring plans collapsed, and, along with it, steel prices, the Germans took a quick lead in trying to set the market (and their own industry) to rights.

### Streamlined

Thyssen, which had made a record loss in 1982/83, announced just a year ago that it was cutting its steelmaking capacity by some 30 per cent, to about 11m tonnes a year, and would shed some 10,000 steel jobs in two years. Krupp Stahl has streamlined its operation to such an extent that it now *feeds* its entire range of carbon and special steel mills with iron from just one blast furnace site.

The recently announced plans to merge Krupp and Klöckner's steel operations could see a drop of at least a further 1m tonnes a year in steelmaking capacity, more than 10 per cent of their present combined capacity.

Thyssen, Krupp and Klöckner have all intimated that their steel businesses are moving back into the black, if they are not there already. Hoesch, its link with Hoogovens of the Netherlands just an unhappy memory, is so healthy now (relatively, in steel terms) that it is almost misleading to discuss it in the same breath as the others.

The Krupp-Klöckner merger, in which the Australian mining *house* CRA plans to *take a 35* per cent stake through deliveries of iron ore worth DM 525m, has some way to go *before becoming operative* as Stahlwerke Krupp-Klöckner (SKK).

There is bound to be opposition from powerful state governments to any closure in their areas, and the planned loss of 3,000 jobs also threatens to become a central issue in state elections next year in North Rhine Westphalia and West Berlin, both of which play host to Krupp or *Klöckner* plants.

The merged company will also need cash from Bonn (the merger is merely a combination of assets) and unless the new SKK board comes up with a convincing rationalisation plan, the Commission, anxious to ensure that steelmakers will be genuinely viable after 1985, may make it difficult for the *Federal Government to pay anything out.*

Over the next three or four months, however, the merging of *Krupp* and *Klöckner—into* the second largest private sector producer in Europe—is going to have to compete for *ministerial attention in Bonn* with final attempts to set another troubled producer, Arbed Saarstahl, on its feet once and for all.

Saarstahl, the second largest employer in the Saar region, is a patient of the Saar and Federal Governments in all but name. The next *few* months could well see its parent, Arbed of Luxembourg, finally withdraw its somewhat redundant equity participation in favour of the Saar Government, which is expected to take a stake of more than 70 per cent in the *group.*

Saarstahl lost DM 123m last year and DM 131m in 1982. After coming to the rescue with a DM 75m bridging credit last year Bonn vowed "not a penny more" and the Commission pounced this year when the steelmaker turned instead to the state government for DM 100m—DM 23m of which it got by selling some assets to the state. But the other DM 77m has been blocked by Brussels.

Under, it is believed, some pressure from the Commission, Saarstahl has now called in a firm of U.S. consultants, McKinsey and Co, to rework a recovery plan drawn up elsewhere last year. McKinsey and the Commission have worked *together before, on a computer* programme for the entire Community steel industry.

In addition, the Saar Government has a working party busy with the problem and a third, German, consultant, Roland Berger and Partners, has been hired as *Saarstahl's* advisors.

The immediate result of all this activity seems likely to be that Saarstahl will get its *DM 77m* passed by the Commission. The groups working on restructuring plans, which will probably involve linking *Saarstahl with a second,* smaller Saar steel producer, the French-owned Dillinger, are due to make their recommendations in December *or early next year.*

### Third problem

Salzgitter, the government-owned steel, engineering and shipbuilding group remains a third steel problem for Bonn. Better steel prices have helped lift sales recently but the group does not expect to make profits this year. Piene-Salzgitter, the group's steel-making arm, made profits of DM 55m in 1981-82 but dropped into a DM 160m deficit the following year.

It seems likely that the group would find it *difficult* to pass up an opportunity to spin the steel business off—and the Krupp-Klöckner partners have already *intimated they do not find* the prospect of Piene-Salzgitter joining them too horrific. Such a move might, after all, attract a little more badly needed cash from Bonn.

# Miners' strike puts viability blueprint in limbo

## The UK
IAN RODGER

BRITAIN'S STEEL industry has been in limbo for most of the year, as its leaders have waited to assess the long-term damage, if any, caused by the coal miners' strike.

Thus, the final blueprint for the British Steel Corporation's return to financial viability by the end of next year, in line with the European Commission's demand, has still not been drafted. The privatisation programme has been slowed as well.

The delay in restructuring of the industry has not got in the way of performance. It now looks as if 1984 will be the best year since 1979 for the industry. Production in the first nine months was 11.3m tonnes, virtually unchanged from last year, but prices have recovered considerably, thanks to tighter market controls imposed by the European Commission.

Still, none of the major UK producers is yet making strong profits. On the contrary, BSC, which dominates the industry, will suffer huge losses because of the extraordinary costs and lost revenue arising from the miner's strike. Others are making only modest profits.

The big question that remains is how well the industry will cope when and if the protective shell of production quotas, price supports and import restraints administered by the European Commission is removed.

BSC's view is that it is now one of the most efficient steelmakers anywhere. In a recent report to employees, Mr Bob Haslam, the BSC chairman, pointed out that the workforce now stood at 68,000 compared with 228,000 in 1975.

"By putting ourselves on level terms on manning with the best overseas producers, we have achieved an enormous increase in productivity and made ourselves world competitive," he said.

That was the claim until the miners' strike came along. The strike has forced BSC to import more coal at a time when the value of sterling has been falling, and to use more expensive road and barge transport for its raw materials because train drivers have refused to cross picket lines. BSC has also lost a lot of business. The coal industry normally consumes about a tenth of BSC's output, both in direct purchases and in machinery bought from British manufacturers.

Mr Haslam said the corporation was aiming to break even at the trading level in the current year until the miners' strike hit. Even so, that would suggest that BSC, which is operating at about 87 per cent of its 14.6m tonne manned capacity, still has a long way to go before it will earn a decent return.

The key to this paradox of good manpower performance and poor financial performance is excessive plant and work in progress. BSC could bring about a big reduction in costs if it were allowed to close one of its three wide strip mills.

### Better rates

BSC directors say they could meet all their requirements for strip from two mills, which would then have better operating rates, and still have plenty of spare capacity if its market or market share grew.

The corporation tried to close its strip mill at Ravenscraig in Scotland in 1982, but the Government refused to authorise the move. Now, because of the loyalty shown by all BSC employees during the miners' strike, the directors have acknowledged that it would be wrong to attempt a major closure.

At the beginning of the miners' strike, Mr Haslam said that BSC would have to reduce its forecasts for future demand on the assumption that, as occurred after previous strikes, it would lose some of its business permanently. That, he warned, would increase the pressure to close plants. In fact, however, the corporation has been able to maintain deliveries to customers and has even increased its market share in some sectors.

BSC has other ideas for significantly cutting its costs but has not disclosed them. One way would be to eliminate the capital intensive iron and steelmaking operations at one of its five integrated sites.

Meanwhile, BSC is also lobbying intensively with the European Commission for greater production quotas. It points out that quotas are based on shipments in the late 1970s when BSC's performance was poor. Now that its products are in demand, it argues that it should be allowed to increase its sales. Any success it has on this front would, of course, help operating efficiencies.

The restructuring of the British steel industry advanced at a rapid pace between 1980 and 1983. Many plants in the private sector were closed and two significant joint ventures involving BSC and private companies established.

One brought together the wire rod and bar interests of BSC and Guest Keen and Nettlefolds to form Allied Steel and Wire in 1981. At the outset, ASW was losing £2m a month, but it has become profitable in the past year. The other, Sheffield Forgemasters, combined the press forgings businesses of BSC and Johnson and Firth Brown in late 1982. It is still making big losses and is in need of additional capital.

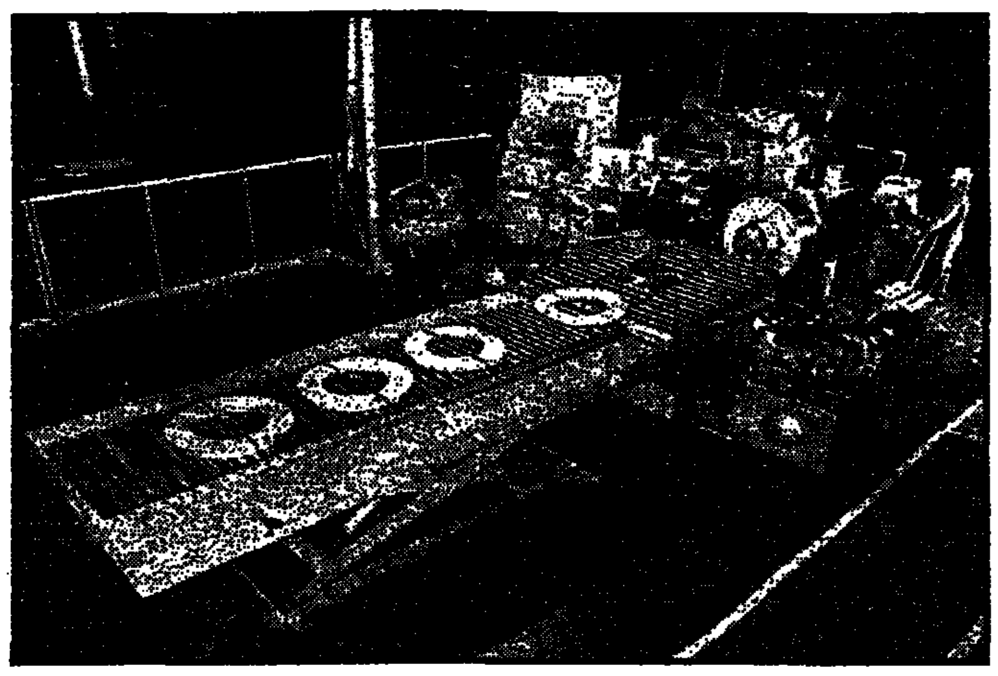
The pace of restructuring has slowed considerably, not least because there is not much left to do. The private sector used to complain a lot about unfair competition from BSC in certain sectors. But few so-called overlap sectors remain, and they are not very controversial.

GKN Steelstock, for example, is delighted that BSC remains in stockholding, because it helps the corporation's directors understand the business.

The only major restructuring plan achieved this year saw three small mills in the West Midlands close and their production quotas transferred to Kent-based Sheerness Steel.

Another plan still in the works is the so-called Phoenix 2 project under which the engineering steels businesses of BSC and Guest Keen and Nettlefolds would be merged in a joint venture and some plants closed. This project has been under consideration for at least three years.

BSC and GKN finally agreed terms late last year, but those terms involved a considerable amount of government aid, thought to exceed £100m, to help cover the costs of closures and modernisation. The Government has been in no hurry to agree to this proposal.



The Clustercoil installation at the Oldbury service centre of GKN Steelstock enables stainless steel to be cut in a smaller space and with less waste

# Further closures possible

## France
DAVID HOUSEGO

THE FRENCH steel industry has in its two coastal sites at Dunkerque and Fos two of the most efficient integrated steelmaking units in Europe.

Dunkerque, with a 7m tonne capacity is being further modernised with a FFr 1.3bn expansion in its pipe mill. The Solmer (Fos) plant with a 4m tonne capacity, has also recently been able to cut costs, with the installation of a second 2m tonne capacity continuous casting facility.

But notwithstanding these investments in what are now the major poles of the French steel sector, the two state-owned steel companies Usinor and Sacilor are expected to lose FFr 8bn this year. This follows an even worse 1983, in which they lost more than FFr 10bn—thus absorbing a large chunk of the new capital the Government has ploughed into the nationalised industries.

About half the losses this year will be due to the groups' long products (bars, piling) divisions, which have a combined turnover of more than FFr 17bn. These suffer from the double handicap that they are situated in Lorraine—and thus are dependent on high-cost Lorraine mineral ore—and are undercut in price by Italian producers using electric arc furnaces fed by scrap iron.

Under its revised steel plan announced earlier this year, the Government has approved plans that provide for cutting the workforce involved in producing long products from 24,000 to 14,000.

At the same time, the two groups have merged their long products' activities into a new jointly held subsidiary, Unimetal, to achieve better co-ordination. Investments are also being made in electric arc furnaces.

### Loss-making area

In the other main loss-making area, engineering steels, the companies are following a similar procedure of operating through a jointly held subsidiary, which is being set up.

Nominally, the two groups still compete in flat steel products through the three wide-strip mills — Dunkerque (Usinor) Fos (Usinor/Sacilor) and Sollac in Lorraine (Sacilor). Even here their marketing services are working closer together, bringing a step nearer the notion of a single French state-owned steel group.

Both Dunkerque and Sollac are returning to profitability—the latter in spite of its disadvantage of being dependent on Lorraine iron ore. Solmer made losses last year of FFr 1bn but expects to halve them this year before returning to profitability in 1985/86. About 70 per cent of its output is exported.

Nonetheless France could still face a surplus of basic flat steel making capacity. Further closures could be needed if the industry is to return to profitability and dispense with subsidies by the Community deadline of 1987.

The industry is in difficult discussions with the Government over financing its deficits and maintaining the planned level of investment to be competitive in the 1990s. It wants to reschedule some debts to lower its financial charges and strengthen its capital structure. But it knows that the Government's purse is limited.

M Rene Loubert, the new president of Usinor, hopes that further closures can be avoided by mobilising the workforce to achieve higher levels of productivity. But if output were to stagnate at last year's level of 17.6m tonnes, further pruning could be inevitable.

# Looking to reduce productivity gap

## Spain
DAVID WHITE

BY THE end of the first week of October, a few days after schedule, the last operating blast furnace at the Sagunto steel complex on Spain's Mediterranean coast went out, and with it the symbol of trade union resistence to the Socialist Government's restructuring programme for the industry.

After more than a year of bitter struggles focussing on the Sagunto plant, which after 60 years of chequered history was condemned to closing its main iron and steel casting facilities, a provisional agreement had been reached in April.

The agreement — achieved only by a last-minute fiasco in which the Government, at the height of the negotiations, had INI, the state industrial group, sack the head of its steel division, made way for a programme to cut more than a quarter of the manpower in Spain's main steel plants.

Steel restructuring in Spain did not begin until 1981, well after the EEC, and is not due to be completed until 1988. In the first programme, 5,000 jobs were cut at the country's three integrated steel groups; Ensidesa, the state-owned producer based in Asturas in the north; the Sagunto company Altos Hornos del Medieterraneo, which was nationalised in 1978; and the Basque group Altos Hornos de Vizcaya.

### Political reason

The new programme is due to cut about 10,000 of the 36,000 jobs remaining in the three groups. Proportionally the biggest cut is at Sagunto, which will lose about 1,800 jobs or half its workforce. The smallest, partly for political reasons, is at the privately-controlled Basque concern, due to shed 2,200 of its 10,700 workers.

The "reconversion" of these jobs is to be covered by a £4.5bn financing programme drawn up by the Government to sort out this and other problem industries.

In steel, Spain is reckoned to have a 20 per cent gap to make up with the EEC in terms of productivity per employee. The three integrated steel groups lost the equivalent of almost £200m last year and have built a deficit since 1978 of close to £1bn. The Government's aim is that they should be "in a condition to compete effectively with similar companies in the European Community" in 1986.

A total package of £2.5bn has been earmarked for restructuring the companies. A new oxygen steelworks is planned to replace facilities at Ensidesa's principal Aviles plant, and another based on existing facilities at Altos Hornos de Vizcaya. On the other hand, the Government has shelved a project for a hot rolling mill at the Mediterranean plant.

### Domestic consumption

Before the 1974 oil crisis, Spain planned a domestic steel consumption level of 20m tonnes a year. The recent level has been only 40 per cent of that.

Production, including special steels, which the Spanish authorities insist on considering as a separate category and which has been through two reorganisation plans, has risen slightly since 1974 but has stagnated at about 13m tonnes with a small decline in the early months of this year. Increased reliance on exports has created friction both with the EEC and with the U.S.

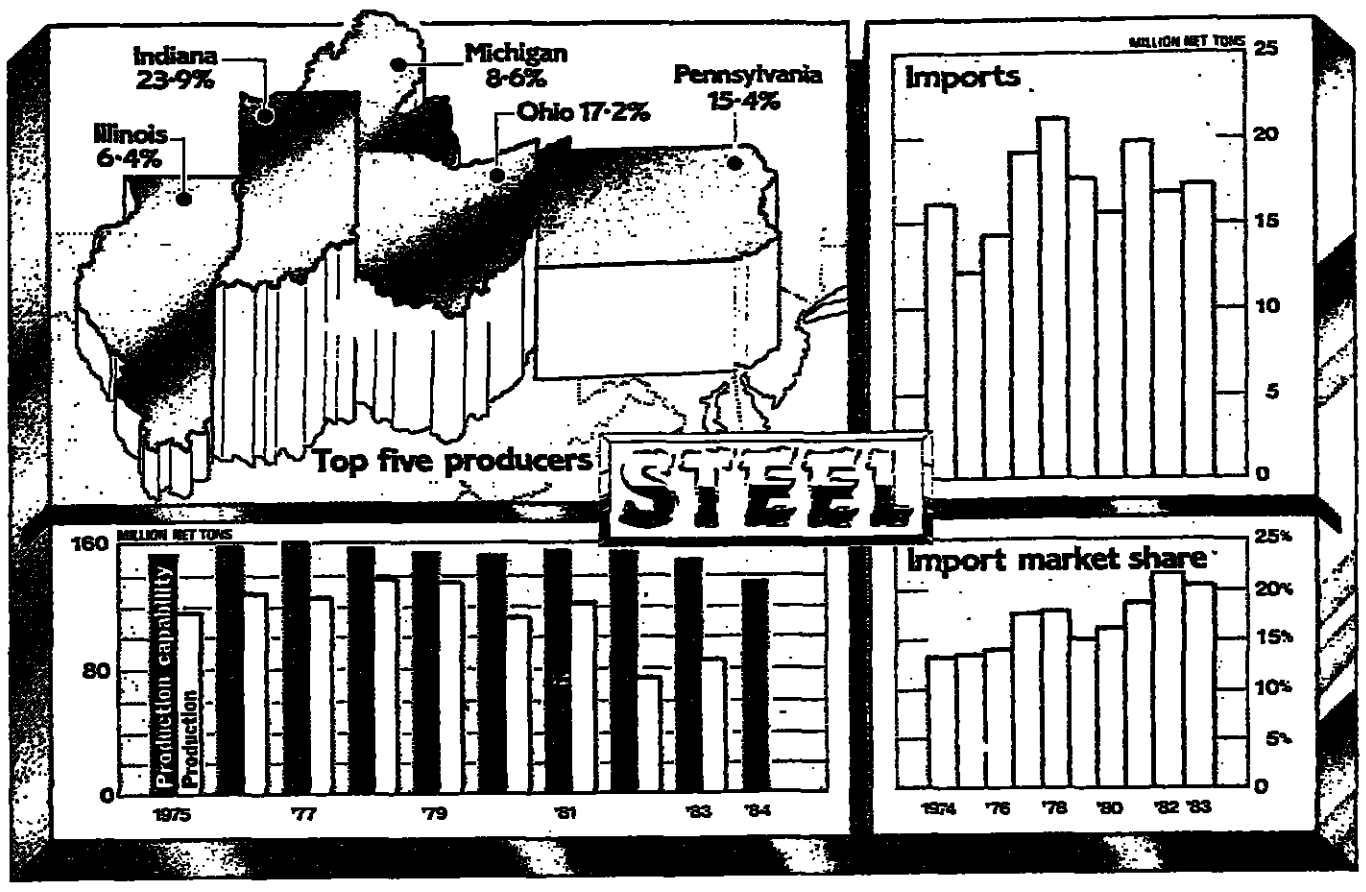
The restructuring plan has put Spanish steel out of phase with the Community, which Spain is due to join from the beginning of 1986. While Community countries are due to have ended subsidies to the steel industry, Spain will be continuing them for several years.

The steel issue, in which the Community wants to continue in the interim with import quotas for Spanish steel, has proved one of the thorniest in the negotiations.

Overall, Spanish steel exports, according to figures published by the Economy Ministry, rose to 7.41m tonnes last year from 6.36m in 1982. This compares with 1.1m tonnes exported in 1974. Meanwhile, imports were reduced last year to 1.39m tonnes from 1.96m—below their 1974 level of 1.61m.

The currency advantage resulting from the dollar's sharp increase has contributed to a further increase in exports this year.

# Steel Industry 4




# Grand scale restructuring

## The U.S.

IAN RODGER

THIS YEAR has been a watershed for the much maligned U.S. steel industry.

It is the year in which the U.S. Government bowed to pressures to control virtually all imports. From next year, imports will be restricted to 18.5 per cent of the market for five years.

It is also the year when restructuring on a truly grand scale has got under way, with big takeovers occurring almost on a monthly basis.

What remains to be seen is whether the extended period of protection and the spirit of rebuilding that now pervades the industry will be enough to see it restored to viability in the medium term.

The year really began on January 31 when United States Steel Corporation, the largest producer, announced that it had lost $1.1bn in 1983 and then the next day launched a $292m bid to acquire National Intercorp's steel business, the fourth largest in the country.

That deal was ultimately blocked by the U.S. Justice Department on anti-trust grounds, but it set something of a trend. In March, the Justice Department approved a $600m takeover of Republic Steel, the sixth largest, by LTV, the third largest.

By April, the foreigners were getting into the act. Nippon Kokan of Japan spent $575m to buy 50 per cent of National Steel and a consortium of Brazilian, Japanese and U.S. interests bought the Fontana works of Kaiser Steel for $115m.

Nippon Steel, Kobe Steel and Sumitomo Metal Industries are also believed to be interested in acquiring steel assets in the U.S. Nisshin, the other large Japanese integrated producer, already has a 10 per cent stake in Wheeling-Pittsburgh.

The attractions for the Japanese and others who are investing in the future of the U.S. steel industry are the enormous market and the likelihood of some major shifts in market share, partly as a result of protectionism and partly as a result of rapid changes in the competitiveness of various suppliers.

### Recovery

Although steel consumption slumped from 128.2m tonnes in 1981 to 92.1m tonnes in 1982, that still makes the U.S. the largest single steel market in the world, slightly larger than the 10 EEC countries combined. Consumption recovered to 94.9m tonnes last year and is on the way to staging a sharp 18.8 per cent rise this year to 114m tonnes.

Most U.S. producers suffered heavy losses in the depressed markets of 1982 and 1983, but many have carried out rationalisation programmes, enabling them to bounce back into profit in the first half of this year when prices were strong and output was running at 76 per cent of capacity. Although operating rates have since dropped back to about 55 per cent, companies are still hanging on.

U.S. Steel, for example, has cut its steel capacity from 28.2m tonnes last year to 23.6m tonnes and reduced its payroll from 55,000 to 32,000. Mr Tom Graham, deputy chairman, claims productivity has risen from 9 to 5.5 man hours per tonne and the company is making a pre-interest profit even though it is operating at only 50 per cent of capacity.

Companies are also embarking on join ventures and leasing arrangement to finance high cost new plant. In August, Ford, which operates a steelworks at Detroit, and U.S. Steel set up a venture to build a $130m electroplating works. Bethlehem and Inland Steel, the fifth largest producer, are building a similar type of plant for $80m.

Mr Graham says the industry lost competitiveness mainly because of a surge in inflation-linked wages in the 1979-81 period. New agreements mean that steelworkers' wages will soon no longer be among the highest in U.S. industry, but the main challenge is still to reduce labour content.

Meanwhile, the restriction on imports will be very helpful. Mr Graham says U.S. Steel's operating rate would rise to 65 per cent today if imports were down to 18.5 per cent of the market.

The import restrictions should also improve prices. Mr Donald Trautlein, chairman of Bethlehem Steel, the second largest producer, has forecast that prices will rise 5 per cent as a result of the trade deal, "but that would still leave them below 1981 levels," he said recently.

The U.S. producers are not proud of having to press the U.S. Government into negotiating volume restraint agreements with foreign steelmakers. They say they would have preferred to apply the normal duties on dumped and subsidised steel, but the Government, they claim, capitulated to pressures from military allies, such as Korea, and U.S. banks with large loans to Brazil, to use less draconian measures.

### Clear message

They also say there was a need to deliver a clear message to any developing country contemplating investing in steelmaking that they could no longer count on selling their output in the U.S.

Meanwhile, the industry will continue to change shape. Mr Trautlein estimates another 5m to 10m tonnes of capacity has to be taken out.

"I don't think we are going to vanish," Mr Graham says of U.S. Steel, "but the industry will continue to contract until the survivors can attract capital."

Meanwhile, some companies will continue to put their available capital elsewhere. Last month, National Intergroup proposed being taken over by Bergen-Brunswig of Los Angeles for $560m. Bergen is the second largest U.S. drug wholesaler.

U.S. Steel also showed its sense of priorities by acquiring the U.S. subsidiary of Husky Oil for $505m in April. This added to the company's diversification into the oil industry, started in 1982 when it bought Marathon Oil for $6.4bn.

# Major breakthroughs tantalisingly close

## Technology

IAN RODGER

STEELMAKING MAY be a mature industry, but virtually every process involved is under close scrutiny and some major technological breakthroughs are tantalisingly close.

In ironmaking the emphasis is on reducing iron ore directly to iron without having to convert coal to coke in expensive and dirty coke ovens and without having to put the ore and coke into expensive, dirty and dangerous blast furnaces.

In the 1970s, the main development in this area was the Midrex process, which used natural gas both as a fuel and a reductant to take the oxides out of concentrated iron ore pellets. However, the potential for this process became limited when gas prices in most countries rose sharply.

A variant which uses ordinary coal has been under development for several years by Korf Engineering of West Germany, which was taken over last year by Voest-Alpine of Austria. One aim of this project was to yield the reduced iron as hot metal so that energy could be saved in the process of converting it to steel.

Another approach to the same problem involves plasma technology, using electric furnaces to produce high enough temperatures to heat the coal to the plasma state. Then it is cooled to the gaseous state for the reduction process. SKF Steel of Sweden is a leader in this field, and has had a 50,000-tonne plant operating since 1981.

SKF claims its plasma generator is a more energy-efficient method of direct reduction than an ordinary furnace. It can also be used equally efficiently for high or low capacity plants.

Experiments with a plasma furnace are also being undertaken by the Department of Iron Range Resources and Rehabilitation in Minnesota in the U.S.

### Plasma furnace

Plasma technology is also being tested for steelmaking. Voest Alpine has built a 45-tonne plasma furnace at Linz, based on East German technology, for melting scrap into steel. It is basically an electric arc furnace with the carbon electrodes replaced by metallic electrodes and the electric arcs by plasma arcs to convert scrap into steel.

The advantages claimed for this approach are reduced consumption of electrodes, increased metal yield and less dust, waste and noise. On the other hand, the creation of the necessary heat is expensive. SKF believes that plasma technology must perform some function in addition to creating heat if it is to be economic.

Development activity is also intense in the semi-finishing area. Perhaps the most exciting field is that of continuous thin-slab casting. Continuous casting machines to make slabs, billets and blooms have been almost universally adopted by steelmakers both to improve yield and save energy.

Previously, molten steel was poured into ingot moulds and the ingots allowed to cool. Then they were re-heated for rolling into slabs or billets for subsequent hot rolling into plate, sheet, bars or wire rod.

If the steel destined for sheet could be cast directly into slabs thin enough for mounting on cold rolling mills, then the big, expensive hot mills could be eliminated, opening the way for small steelmakers to participate in this sector.

Several companies in Europe, Japan and the U.S. are working on perfecting the technology of thin slab casting. Kawasaki Steel has built a pilot plant. The biggest problem is finding ways to maintain the uniformity of the steel being cast.

Another development for semi-finished steel is the so called hot direct rolling recently installed by Nippon Kokan of Japan. In this process, the slab formed in a continuous casting machine is taken immediately to a hot strip mill rather than being cooled and reheated, thus saving considerable energy.

In recent years, wide sheet made in conventional mills has become a precision product in order to meet the demands of the motor industry for strength and minimum weight. It would be difficult for a thin slab caster to reach present sheet standards.

When it comes to finished products, the potential for steel seems limitless, not only on its own but also in combination with other materials.

One of the most important developments in recent years has been in industrial coil coatings. Galvanisation has been around for a long time, but in an improved form it has found a whole new life recently in improving the appearance of car bodies while preventing them from rusting.

The annual consumption of coated steel sheet for cars in the U.S. has risen from 225,000 tonnes to 1.7m tonnes in the past decade. It is also increasingly used for cladding on industrial buildings.

Typically, the galvanising process now involves not only the chemical pre-treatment of the sheet but also the subsequent application of films, depending on the use.

Among new developments, producers are talking of composite panels with a visco-elastic core for use in car bodies to deaden sound.

# The trend is towards smaller plants

## New steelmakers

GEORGE GRAHAM

IT IS A truth widely, if grudgingly acknowledged by steelmen in industrialised nations that the most modern and efficient integrated steelworks in the world today is that of Pohang Iron and Steel Company in South Korea. In man/hours needed for each tonne of steel it produces, it beats the best comparable mills in Japan, the U.S. or Europe, and lower labour costs stretch this advantage still further.

Little wonder, then, that the prospect of Posco building a second integrated steelworks at Kwangyang caused little joy among the established giants of the world steel industry.

Japanese metallurgical equipment suppliers, themselves in most cases associates or subsidiaries of steel companies, attempted to douse the 2.7m tonnes-a-year Kwangyang project by denying it their technological aid, and the U.S. Eximbank, under pressure from American steel companies, moved to block project finance for U.S. plantmakers bidding on the plant.

Kwangyang is going ahead, with European equipment suppliers like Davy McKee of the UK, Mannesmann Demag of West Germany and Voest Alpine of Austria winning a bigger share of the contracts than they might have done had their Japanese competitors bid more wholeheartedly. The new plant has every chance of emulating the success of the Pohang plant, a consistent profit-maker and the 13th largest steelmaking company in the world last year.

The Korean steel industry is firmly founded on the base of solid domestic demand. Apparent steel consumption has risen by 150 per cent in the last ten years and now stands at around 7.2m tonnes a year, outstripping even that of Japan.

Although American steelmakers howl about the level of Posco's exports, the company sells 70 per cent of its output to domestic consumers. The rapidly developing Korean automotive industry and the boom in construction associated with the 1988 Olympic Games should ensure that demand keeps pace with expanding capacity.

### Lifting capacity

The same is true of Taiwan, where the only integrated steel producer, China Steel, is embarking on a $1.4bn expansion that will raise capacity from 3.3m tons a year to 5.7m by the end of the decade. The company expects domestic consumption to rise from its present level of approximately 260 kg per capita to around 500 kg over the same time span.

It has even tried to take its own measures on the demand front, with a 25 per cent stake in a stillborn project with Toyota to produce cars for export in Taiwan.

Domestic demand has not always been such a firm rock on which to build a steel industry. Extravagant projections of future consumption have left a number of Latin American nations with capacity far in excess of their own needs, and of their ability to sell abroad in the flabby markets of 1982 and 1983. The problem was compounded for countries like Brazil by the collapse of the iron ore market in the same period.

The vast reserves of high grade iron ore in the mines of Minas Gerais and in the new Carajás development have given Brazil a comparative advantage, but one that the country has found it hard to capitalise on.

The large state-owned steel works producing sheet, plate and slabs under the banner of the Siderbrás group have struggled since their completion (and the Açominas plant is still incomplete) under a heavy debt burden.

Avowedly export-oriented, they will suffer still more as the shutters come down on world trade in steel. U.S. restrictions alone will cost Brazil $200m in steel exports this year.

Not all is gloomy. Brazil boasts a myriad of private sector companies producing pig iron in charcoal-based blast furnaces, and of electric furnace mini-mills such as the Gerdau group. Many of these have continued quietly to flourish, despite a slump in domestic demand since the peak year of 1980. Even here there have been problems, as shown by the financial rescue operation earlier this year for special steel producer Vibasa, part of the Villares engineering group.

### Resilience

The sector has shown resilience and technological inventiveness, with companies like Cia Siderurgica Pains leading the way in adapting established steelmaking methods to their own conditions. Pains, in which West German mini-mill entrepreneur Willy Korf holds a share, has been the testing ground for the Energy Optimising Furnace, a modification of the old open-hearth which now claims melting speeds and energy efficiency to match the electric arc furnace.

Few developing countries now have either the ambition or the resources to support this kind of large and diversified steel industry. Most of the newer steel producing nations have been more modest, building steelworks in the 400,000-800,000 tonnes a year size range and seeking to make use of local resources.

The Iron and Steel Company of Trinidad and Tobago, for example, uses cheap domestic natural gas comes in modules of reduced iron plant, and uses the pellets from this plant as raw material for an export-oriented wire rod mill.

Developments in the technology of direct reduction are now bringing steel production within reach of more and more countries. Processes such as Lurgi's SLRN or Krupp's Codir can be economically viable at capacities of 100,000 or 200,000 tonnes a year, whereas the established Midrex process for producing iron sponge with natural gas comes in modules of 400,000 or 600,000 tonnes a year; and the Krupp and Lurgi processes can make use of relatively low grade coals that occur in many countries that are not blessed with cheap natural gas.

Direct reduced iron plants are being installed on even smaller scales in India, where several state governments are sponsoring projects, and in Burma, where Danieli's Kinglm Metor iron reduction process has been adopted in 20,000 tonne per year modules. These small scale projects have the advantage that they can be closely geared to the size of a nearby domestic market.

There is still no shortage of countries queuing up to join the ranks of steelmaking nations, with Nepal and Iceland among the latest recruits. Even Grenada is pondering a small steelworks to help it away from dependence on bananas and nutmeg.

The development of small scale steelmaking technology should help to ensure that these countries do not build themselves oversized steelworks with nowhere to sell their products. It is not every developing nation's steel industry that has proved as efficient and financially successful as South Korea's Posco.

# THE ARTS

## Radamisto/Sadler's Wells

**David Murray**

For the second opera in its current season, the Handel Opera Society has turned back to an old favourite, Handel's first King's Theatre opera *Radamisto*. It offers the usual sort of complicated mock-classical plot, and a feast of solo arias for its six singers (the Society has ratified Handel's later decision to drop a seventh character). The present performance bears the usual Society hallmarks—a judiciously weeded edition, a cast and an orchestra who are practised in the style, and a helpless shrug by way of response to the hardest question: how can Handel's operas be presented?

The problem is that one can't re-create Handel's King's Theatre audience with its special expectations of the genre, and the operas resist adaptation to modern ones. Things come too fast and too slow: dramatic reversals are covered in quick recitative, whereupon the characters queue up to parade their individual reactions in broad *da capo* arias. Worse still, the convention requires each singer to sweep off the stage (or stagger, or retreat dolefully) at the end of his or her aria, which makes interplay between them hard to contrive.

In short, a Handel plot is a recipe for placing soloists in heroic postures, one after another, to voice the sentiments which it formally determines. Modern producers fear we'll find this thin fare; I can remember just one Handel Opera Society staging—very successful, I thought—which aimed bravely at just that, with minimal sets and flamboyant stylised gestures. For *Radamisto* Peter Rice has devised pretty, picturesque settings, and the producer Tom Hawkes (who has done much brighter things) allows everybody to walk through them in the most stately manner, indicating discreetly their restrained English pleasure at this or worry about that.

Perhaps rehearsal-time permitted no more. At any rate the effect is regularly ludicrous, given the lurid highs and lows of the action (family betrayal and homicidal lust in royal places). Sandra Browne's Radamisto (a breeches role) comes nearest to suggesting the right extravagant intensity, though thwarted by the genteel context and a little strained by her top notes. The wife and the sister get richly varied music, and Catherine Denley and Helen Walker concentrate on that to excellent purpose—each does things that deserve detailed appreciation—without finding volatile *personae* to match.

There is a doughty old King from Forbes Robinson, still in fine sonorous voice, and a promisingly polished performance—poised and fresh—by Bronwen Mills as a lovelorn Prince. Kim Begley's tenor villain grew steadily more confident of voice through the evening, though the production never tapped his dramatic talents. Charles Farncombe conducts efficiently, temperately, without fire.

## Patience/Coliseum

**Arthur Jacobs**

What began in 1881 as a topical satire on the Victorian "aesthetic" movement continues its extraordinary lease of life. Or not so extraordinary, since the British public cherishes the basic theme—that the cultivation of artistic attitudes is a hypocritical sham. John Cox's production, first seen in 1969, combines the comic appeal with a gentle, beautiful mockery of pre-Raphaelitism in John Stoddart's scenery and costumes. The cast assembled by the English National Opera for this season's revival ensures that the Gilbert and Sullivan charm still works, in a traditional way that will not displease the surviving devotees of D'Oyly Carte.

Indeed, I doubt whether, since the D'Oyly Carte performances of Henry Lytton and Bertha Lewis passed into legend, any partnership of Bunthorne and Lady Jane has been more hilariously inspired, and more precisely executed than that of Derek Hammond Stroud and Anne Collins. Playing in a grotesque facial make-up not unlike Lytton's, Mr Hammond Stroud can overcome the objections that he is really too old for a young suitor's part. The objection is stronger in the case of Eric Shilling, whose Colonel Calverley—skilled as ever in comic articulation—must now seem fatherly rather than amorous. The stage presentation of the Dragoon Guards officers is the only thing slightly askew in David Ritch's present re-staging: officers collectively on parade should not get the "left-right-left-right" treatment—nor are they properly addressed as "Company."

Familiar with Scottish Opera but making his ENO debut, Alan Oke provides a poised and Perfect-Grosvenor, and strong contributions come from Sally Burgess (Lady Angela) and Dinah Harris (a rustic Patience who remembers to roll her "r's" in song as well as speech). Terry Jenkin's squeaky Duke maintains his clever caricature, but here again it should be a youthful singer's part. Victor Morris's conducting of the overture seemed to me to push the music too hard, too soon, but later everything fell happily into place. "Cheer up, I'm still here!" was Lady Jane's message to Bunthorne and the operetta's message to the public.

## Dance Umbrella at Riverside Studios

Stephen Remington, director of Sadler's Wells Theatre, will chair an international conference on dance at Riverside Studios on November 10 at 2 pm. Presented by Dance Umbrella '84, "Rates of Exchange" will debate the level of support by funding bodies in this country for the work of visiting overseas artists. Also, how support for dance here compares with that in other countries.

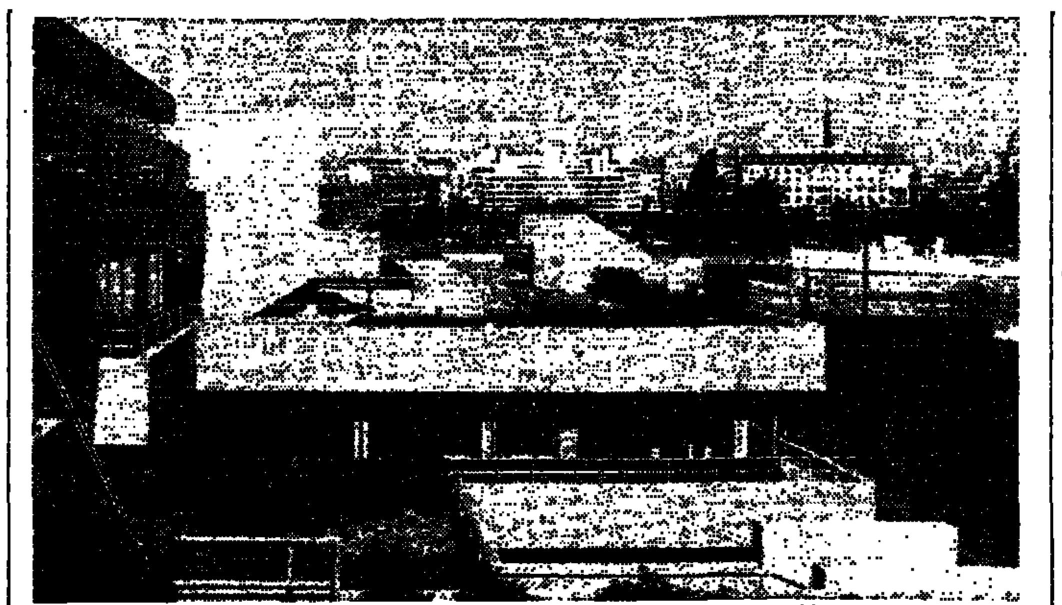
Among the participants will be Dieter Lange of the Theater am Turm in Frankfurt, Ann Valois of the Montreal Festival, David White of the Dance Theatre Workshop in New York, and Robert Sykes

## Of Mice and Men for the Mermaid

The Nuffield Theatre, Southampton, production of John Steinbeck's *Of Mice and Men* is to open at the Mermaid Theatre in London on November 19. The play, adapted by Steinbeck from his own novel, was first produced on Broadway in 1937 and last seen in London in 1939.

The Southampton production, warmly reviewed in these columns on September 28, is directed by Geoff Bullen and designed by Sean Cavanagh, and the cast includes Lou Hirsch, Clive Mantle and Susan Penhaligon.

*Blockheads*, the current Mermaid musical about Laurel and Hardy, closes on November 3.



IBM's new London headquarters extends the aesthetic of the National Theatre

## Architecture

**Colin Amery**

# Lasdun's architectural vision

Sir Denys Lasdun has said that, for him, one of the most profound impulses in architecture is "the sense of place." His own architecture has sought to be an extension of the city or the landscape. On the South Bank of the Thames, the edge of Regent's Park or the flat plains of East Anglia, Lasdun has built with conviction and integrity.

He has always built using the language of modern architecture without any compromising historicism. In all his work it is possible to understand several recurring themes. The recent opening of the new London offices for IBM on a site adjoining the National Theatre, and the publication of a new book edited by Lasdun, *Architecture in an Age of Scepticism*, provide the opportunity to examine these themes.

First of all, Lasdun is not interested in technological image making; his work reflects a more abstract view, with the technology acting as an invisible servant. A second and constant theme is the continuing influence of Le Corbusier.

The relationship of architecture to its setting is a theme that has preoccupied Lasdun. In some cases, like the South Bank, he has tried to make more of the existing setting. The presence of the National Theatre and IBM next door to each other has provided an opportunity to make new places that respond to the river, the views and the bridge. In other parts of London, particularly in Bloomsbury, I feel that Lasdun has possibly behaved more like Kipling's cat who walked by himself—"and all places were alike to him."

Deep inside every one of his buildings lies another important theme. Lasdun believes in a private myth about the sources of architecture. He thinks way back before the Greeks to the very strata of the ground, and on the South Bank the theatre and now IBM show how this myth has been reanimated. There are no façades; layers of building express the organisation of space while also extending the landscape of the city.

Architecture for Lasdun is a microcosm of the city, and to achieve success it has to allow for growth and change. A visit to the National Theatre now that IBM has been completed shows how this idea is beginning to work. The mall between the two buildings leading to the river is now a significant place in London.

I think that the completion of IBM has clearly shown how the quality of urban life can be improved by architecture. The new spaces are a great beginning. They point the way by their own awareness of the theatrical importance of the city. The area to the south of the theatre and IBM must now be seen as one of opportunity. Proposals to create a "Theatre Square" on the part of Upper Ground behind the theatre should now be seriously considered. The chance is there in the proposed redevelopment to build housing and shops and pubs around a square that will provide an identifiable civic space worthy of the area.

For the IBM Central London Marketing Centre, Lasdun has designed a five-storey terraced building which is flexible enough to allow for a combination of cellular and open offices. It should be said at once that these are some of the finest offices in the capital. The working conditions are second to none: rich views, ample light, excellent landscaping, must all play their part in the subtle and enjoyable softening of the corporate formality of the client. The rougher aggregate finish to the pre-cast concrete and the straw-coloured carpets is a carefully considered contrast to the smooth dreams of computer technology. Lasdun has made the computer world subservient to the human world—which is how it should be.

Lasdun's book* is an anthology of architectural ideas by 12 leading practitioners working in the European cultural tradition. Like his architecture, this is a deeply thoughtful exercise that communicates important ideas at a time of transition. The range of these ideas is sufficiently wide to guarantee the probability that this handsome work will be widely read. It adds an underpinning to the architecture that sometimes reveals an understanding of architectural needs and also helps us to understand why architects have become an isolated species.

* *Architecture in an Age of Scepticism: A Practitioner's Anthology*. Edited by Denys Lasdun, Heinemann, £20

## BBC Symphony/Festival Hall, Radio 3

**Andrew Clements**

A curiously unfocused programme for the BBC Symphony Orchestra's Festival Hall appearance on Friday. Sir John Pritchard conducted refreshingly unhackneyed works, including the first performance of a BBC commission, but there was nothing of any great substance about which the evening might have been balanced. The two pieces by Tippett which flanked the concert are among the least performed of his orchestral scores, but neither the *Praeludium* for brass, bells and percussion nor the *Shires Suite* is really anything more than an occasional piece, albeit in the case of the suite a lengthy and sometimes uproarious one.

The new work, Simon Bainbridge's *Fantasia for double orchestra*, at least promised the weighty, quasi-symphonic music required in that context. Bainbridge's recent music has reflected some surprisingly disparate influences; in the piece he wrote two years ago for the Nash Ensemble, *Voicing*, it was the textures of American systems composers that held sway. The *Fantasia* uses some of the same techniques, in the first of its three sections particularly, but here they used to build up harmonic rhythms rather than as an end in themselves: the opening, densely packed figuration over a *Rheingold*-like pedal, is dark and impressive, and the whole of the section is constructed in bold harmonic sweeps, with chords and sustained pitches exchanged between the two antiphonally positioned orchestras.

Yet what follows the unison on which the music comes to rest is rather an anti-climax. There is nothing to fulfil the expectations aroused by the strength and physical presence of the opening: the second section is built around some rather Stravinskian circular melodies, the third on some nicely judged sonorities; Bainbridge makes intelligent and consistent use of his two orchestras. But a brief recollection of earlier material at the close does not bring with it the sense of finality the composer presumably wanted; instead one is left with the impression of a torso, requiring either further elaboration or radical surgery to make it more complete.

To complete the English theme of the concert Josephine Barstow sang Britten's *Les Illuminations*. While her account predictably contained some marvellous things—the recurrent motto "J'ai seul la clef" charged with rapt intensity at its final appearance, "Being Beauteous" shaped into a most affecting effusion—and Sir John obtained playing of crispness and tonal strength from the BBC strings, I would have preferred a soloist less characterful than Miss Barstow, someone with an easier, less consciously dramatic delivery, for this most limpid of orchestral song cycles.

## Two Planks and a Passion/Greenwich

**Michael Coveney**

One of the intriguing things about Anthony Minghella is that he keeps you guessing. After two plays this year celebrating his Anglo-Italian antecedence—in miniaturist reminiscent vein at Hampstead and on a more gestural, epic scale at Derby—we are thrust into the late 14th century in York, where a troubled King Richard II, his wife Bohemia and the Earl of Oxford are escaping the political pressures of London while the guilds prepare the Mystery Plays for the Feast of Corpus Christi.

The play was first seen in Exeter last year, and I have no hesitation in echoing B. A. Young's praise for it there. It thus pre-dates this year's work. And what a promising, technically fascinating trilogy we have seen. All credit to Alan Strachan at Greenwich for bringing the play to London, matching it with the directorial flair of the Royal Court's Danny Boyle and the beautiful design and costumes of Deirdre Clancy. It all looks absolutely superb, medieval motifs, Latin inscriptions and delicate architectural hints laid out on an interesting alignment of set and brick wall, all painted the honeycomb yellow of York in the sunlight.

This is no historical documentary. The plight of Richard, played with a tantalising mixture of vulnerability and natural authority by Michael Maloney, is given full weight against a background of rivalry among the artisans for patronage, finance, the appropriate disposal of talent. The pinners and painters assembling to rehearse the Crucifixion like Shakespeare's mechanicals are beholden to the cattily showbiz aspiration of their corrupt pardoner (Fred Pearson); while the Mayor and Mayoress of the city, playing hosts to the royal party, are trying the beef up the Herod play with exploding bags of blood and exotic masks.

It could almost be a fictional analogy for all manner of theatrical debates. One imagines these themes being debated on directors' committee at the National and RSC. The Archbishop of York, when he arrives, is your puritanical board member, aghast at what he may have to defend; King Richard could be Sir William Rees-Mogg, finally diverted by a personal crisis to discover an unmannered breakaway group performing by a humble dwelling in the Shambles rather than beneath the Minister's East window.

Amid all the rivalries of petty merchants and talk of cuts, new lines, and the price of cloth, Mr Minghella's quietly engaging quirkiness keeps surfacing, for example, in the croquet scene where the monarch orders the fawning mayor (John Arthur) to dig up his turf and take a lesson in golf; and through the running obsession of the stricken Bohemia (Cathryn Harrison) with comfortable beds. Historical details of personal hygiene and approved fashion are also gently fascinatingly coaxed out.

The play the royals finally see, of course, is quite rightly the centre piece of Mr Boyle's staging. The rehearsal becomes a performance in which the apparent drawbacks of "a fuzzed-faced Mary and a fat Christ" are turned to stunning, truthful advantage. And what we hear are the words of the Mysteries—funny, muscular, gripping and grave. Too brief a mention for the marvellous work of David Fielder, Toby Salaman, Gillian Barge and Corrinne Ransom.

## Boris Godunov/Covent Garden

**Ronald Crichton**

Alastair Muir

Robert Tear and Nicola Ghiuselev

For 50 years and more the controversy about *Boris Godunov*—whether to perform Mussorgsky's original, and if so which of his two versions, or Rimsky-Korsakov's revision—has rumbled on. I confess to half-heretical thoughts about the work. I hope I am fully aware of the immense stature of *Boris*, the originality, seriousness, truthfulness, and (for the most part) scorning of short cuts to operatic popularity, of the shock-waves the extraordinary chronicle-opera, even in the doctored version, sent through the body musical about the turn of the century. Yet I admit to embarking on this journey through a confused period of Russian history inwardly wishing I were going to hear *Ruslan*- or *Prince Igor*—or any of the major Rimsky operas except *The Golden Cockerel*.

Andrei Tarkovsky's Covent Garden production of a year ago, reviewed with important cast changes on Friday evening, surely crowns the successive post-war efforts of our national companies. Covent Garden included, to establish Mussorgsky's own score. There is no need to go on knocking Rimsky-Korsakov, whose intentions and achievements are succinctly described by John Warrack in the programme. Neither is there any need to continue performing Rimsky's revision. How much of pure Mussorgsky you choose to give is another matter. Covent Garden includes almost everything, with the "Polish" act, and both the St Basil and Kromy forest scenes, omitting only the repeat of the teasing of the idiot entailed by conflating the two "original" versions.

With only one interval (Heaven be praised) and quick changes the evening, although lengthy, is not impossibly so. Periods of glacial non-communication, a very superior kind of boredom, are due no doubt to one's failure to remember the ins and outs of the text. With words and music so closely interdependent Mussorgsky in Russian is a limited blessing for non-Russian speakers. Do him in English and you lose the larger-than-life quality generously dispensed by Slav singers who may not in other respects be finer artists than their british counterparts.

The revival as a whole has been rehearsed by Stephen Lawless, Tarkovsky returning to direct the scenes with the new Boris, Nicola Ghiuselev. The Bulgarian bass has distinction of manner and movement with intelligent, ha/ited features. The voice is attractively grainy but monochrome. One follows Ghiuselev's performance with interest and sympathy while wondering how this quiet person advanced himself so far in such turbulent times.

Among several other newcomers are Robert Tear, a potentially interesting Shuisky, not yet standing out sharply enough from the pack of crimson-robed boyars; the monk Pimen of Dimitri Kavrakos (a future Boris surely), with sable tone and adamant line; the fascinating Jesuit Rangoni of Stafford Dean. Robin Leggate's Simpleton, plangently sung, lanky and hooded, doesn't quite suggest the character's visionary side.

James Lockhart is the new conductor. He gave the orchestra too free a hand in the early scenes, but the balance came right, with no loss to the abrasive surface of Mussorgsky's scoring. The chorus was splendid alike in movement and variety of tone. I have never seen the chaotic, menacing implications of the last scene so well realised. Even though the full blackouts between the scenes did not work on this occasion, there should be a grateful word for Robert Bryan's warm lighting.

## The Hayward's future

A public discussion on the future of the Hayward Gallery will be held at the ICA in London on November 12 at 7.30 pm. The main issue will be the decision of the Greater London Council to take over the running of the gallery from the Arts Council.

# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Nov 2–8

## Music

### NEW YORK

**New York Philharmonic** (Avery Fisher): Andrew Davis conducting, Glenn Dicterow, violin. Oliver Knussen, Prokofiev, Beethoven (Tue); Andrew Davis conducting, John Browning, piano, Nexus percussion ensemble. Mozart, Saint-Saens, John Wyre (Thur). Lincoln Center (799 9595).

**Carnegie Hall:** London Philharmonic. Klaus Tennstedt conducting. Schubert, Mahler (Mon); Rosalyn Tureck keyboards recital with Bert Lucarelli, oboe, and Tureck Bach Players. All-Bach programme (Thur). (247 7459).

### WASHINGTON

**National Symphony** (Concert Hall): Charles Dutoit conducting. Schumann, Mahler (Tue); Charles Dutoit conducting; Daniel Barenboim, piano. Beethoven, Prokofiev (Thur). Kennedy Center (254 3776).

### CHICAGO

**Music is the Message** (Orchestra Hall): Youth concerts with members of the Chicago Symphony conducted by Henry Mazer. Dvořak, Weill, Rachmaninoff, Ravel (Mon mat); Kirk, Mozart, Weber, Villa-Lobos, Saint-Saens, Cailliet (Wed mat). (435 81232).

**Chicago Symphony** (Orchestra Hall): Leonard Slatkin conducting; Joseph Guastafeste string bass. Haydn, Karlins, Elgar (Thur). (435 8122).

### BRUSSELS

**Palais des Beaux Arts:** Belgian National Opera conducted by Georges Octors with Tortelier, cello, Debussy, Saint-Saens, Tortelier, Bartok; Lieder recital, Dallapiccola, Strauss, Reimann, Ravel (Thur).

### NETHERLANDS

**Amsterdam**, Concertgebouw. Residentie Orchestra conducted by Heinz Wallberg with Carlo Chiarappa, violin. Wagenaar, Busoni Strauss (Mon). In the recital hall, Amiram Rigai plays piano works by Franck, Brahms, Debussy, Ben-Haim, Gottschalk and Chopin (Mon). The Concertgebouw Orchestra under Hans Vonk, with André-Michel Schub on piano, plays Stravinsky and Schoenberg (Wed and Thur). In the recital hall (Thur), Wyneke Jordans and Leo Van Doeselaar play piano duets by Dvořak, Stravinsky and Ravel. (718 345).

### ZURICH

**Tonhalle:** Tonhalle Orchestra with Kodaly's Hary Janos (Wed); Philharmonia Hungarica conducted by Uri Segal with Joseph Swensen, violin. Prokofiev and Bartok (Thur).

### PARIS

**I Solisti Veneti**, Claudio Scimone: Mozart, Schoenberg, Vivaldi (Mon). TMP-Châtelet. (233.44.44).

**Simon Estes Recital**, Julius Tilghman, piano: Mozart, Wolf, Brahms, Barber, Negro spirituals (Mon). Théâtre de l'Athénée. (742.67.27).

**Orchestre de Paris** conducted by James Conlon, Anne Sophie Mutter, violin: Verdi, Alvin Singleton, Debussy, Dvořak (Wed, Thur). Salle Pleyel (563.07.96).

**Gerard Gahnassia**, piano: Beethoven, Schubert, Balakirev, Rachmaninov, Scriabine (Thur). Salle Gaveau (563.20.30).

### LONDON

**Maurizio Pollini**, piano: Schumann and Chopin. Royal Festival Hall (Mon). (928 3191).

**The London Sinfonietta** conducted by Diego Masson with Linda Hirst, mezzo-soprano, and Neil Jenkins, tenor. Music of young German composers. Queen Elizabeth Hall (Mon). (928 3191).

**London Symphony Orchestra** conducted by Paavo Berglund with Boris Belkin, violin. Verdi, Brahms and Sibelius. Barbican Hall (Tue). (638 8891).

**London Symphony Chorus and City of London Sinfonia** conducted by Richard Hickox with soloists including Felicity Lott and Anne Howells. Handel and Haydn. Barbican Hall (Wed).

**Philip Fowke**, piano. Bach/Busoni, Schumann and Liszt. Queen Elizabeth Hall (Thur).

**London Symphony Orchestra** conducted by Paavo Berglund with Andras Schiff, piano. Mendelssohn, Beethoven and Brahms. Barbican Hall (Thur).

**Ronnie Scott's**, Frith Street: Tenor-saxists Eddie "Lockjaw" Davis and Johnny Griffin. (439 0747).

### ITALY

**Rome:** Teatro Olimpico: Piazza Gentile da Fabriano: Schubert by the young, prize-winning pianist, Alexander Lonquich (Tue 4.30 pm and Wed 8.45 pm (393304).

**Rome:** Oratorio del Gonfalone: Vicolo della Scimmia 32/A (Via Giulia): Schubert, Debussy and Brahms played by the pianist Ruggero Ruocco (Thur 9 pm). (655952).

**Rome:** Auditorium di Via della Conciliazione (Accademia di S. Cecilia): Petrassi's Magnificat, with the soprano Valeria Baiano and Brahms's Symphony No 4 (Mon and Tue). (6541044).

### TOKYO

**Orchestra de Chambre Paris**, conducted by Jean-François Paillard: Scarlatti, Bach, Vivaldi. Tokyo Bunka Kaikan (Tue). (571 1689).

**Paul Badura Skoda**, piano: Japan Philharmonic Orchestra, conducted by Kazuhiro Koisumi: Mozart, Beethoven. Kossinenkin Hall (Wed). (234 5911, 237 9990).

**Contemporary Music from America and Japan:** James Ostryniec, oboe, and several Japanese players including Toshi Ichiyanagi, Mayumi Miyata in concert of contemporary Japanese and American composers. Works of Makoto Shinohara, Lawrence Singer, Joji Yuasa, Jo Kondo, Dick Higgins, Kikuko Matsumoto, Charles Ives (Tue); Aaron Copland, Ruth Crawford Seeger, Toru Takemitsu, Roger Reynolds, Toshi Ichiyanagi, Maki Ishii, John Cage (Wed). Vario Hall, near Tokyo University. (2331933).

## Today/The Other Place, Stratford

**Martin Hoyle**

In his *Other Worlds* at the Royal Court last year Robert Holman successfully portrayed the busy round of a farmhouse kitchen, helped by a production that depicted the making of a pork-pie, down to the chopping of meat and apples. His new play in the Stratford-upon-Avon studio, put together over a period of months with a specific group of RSC actors in mind, shows the same loving interest in the details of making, doing and crafting.

We hear descriptions of the sewing together of severed tendons and the use of a chain horse to Geordie dockers; and watch the painful process of an invalid composer dictating music to his nurse. Other Holman characteristics include a warm-hearted faith in ordinary people and their dreams, a folksiness that verges on the fey (the Yorkshireness conjures up a latter-day J. B. Priestley); and, less happily, the ill-knit mix of poetic and realistic, the undeveloped characters.

The author rashly constructs a play round a negative figure who exists mainly in the reactions of others. Victor, a music-teacher and composer, has "no soul, no passion, cannot cry." This season Roger Allam had given Stratford an original and thoughtful Mercutio and a subtly satiric trendy academic in *The Party*. His stolid *personal* is here hardly convincing in sparking a platonic passion in James Simmons's gilded youth on the banks of the Cam (soon they are submlimating by standing on their heads; preferable to cold showers, I suppose), let alone provoking an adulterous *armour fou* in small-town Yorkshire.

Polly James and James Simmons

The action extends from 1936 to 1946 with a flashback to 1920, the centrepiece provided by Victor's undiscussed and under-motivated flight to the Spanish Civil War. Mr Holman cannot escape cliches: a vaguely Bloomsbury patroness is succeeded by a German male prostitute out of Isherwood (Simon Templeman, looking like a butch blond carp) who, fatally wounded, promptly launches into reminiscences with a symbolic—er—bent.

This Siegfried-like expiry may arouse unhappy Bayreuth memories for designer William Dudley who plays safe with a blank acting area occasionally decked with a jetty and dominated by an illuminated changing calendar; an aptly barren background for the puddingy hero's quest for meaning to his life and vitality for his music. Does it have your *shoal* in it, Victor? demands Polly James's rich eccentric (meaning soul or, possibly misinterpreting his interest in scales, sole), trying to sound elderly, dotty and upper-crust—none of which, as her fans happily confirm, Miss James is.

Bill Alexander's cast comprises some notable players: George Raistrick, Penny Downie, Amanda Root (wasted) and Rowena Roberts, a lovely cameo of the deserted wife, one of those sweet silly women who beam radiantly through agonising grief. Folk-inspired music and ventriloquial coaching (Terry Hall, for Jim Hooper's music-hall turn on a beleaguered Spanish station platform) their contribution to this uncertain blend of epic, poetic and surreal.

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Monday November 5 1984

# The true test for Reagan

IN 1948, Harry Truman, the Democratic candidate, was carried back to the White House by a last-minute surge of support after polls and pundits alike had written him off. A similar dive for the tape took Hubert Humphrey, the Democratic candidate in 1968, within inches of catching Richard Nixon. *It is not going to happen* this year. On both those earlier occasions, the Democratic candidate was almost rescued by millions of Democratic voters who had flirted with third party candidates and then returned to their traditional allegiance. No such reserve army is in being to rescue Mr Mondale.

So it will be President Reagan again, and—given the mechanics of the electoral college system—by what will look like a landslide. Mr Mondale has earned personal respect. He has kept his head and his temper when all around were losing theirs. In retrospect, neither the challenges of Senator Hart and the Rev. Jesse Jackson, nor the tribulations of Geraldine Ferraro made much difference. It was always going to be Ronald Reagan's year, barring accidents, for three good reasons.

### *Persuasive*

First, the Democratic Party, for the time being at least, has lost credibility with millions of Americans because it is identified with social policies which are believed not to work. Second, the economy is apparently thriving, with inflation down, and growth, at least until the middle of this year, up. Third and most important of all, perhaps, in a contest that has always been intensely personal, a big enough fraction of the electorate likes, and respects, and feels comfortable with Ronald Reagan.

On this side of the Atlantic, Mr Reagan's political gifts have been absurdly underestimated. They are mainly of the simplest and the most important kind. He projects himself as courageous, decent, level-headed and determined. People like him and they trust him. He displayed "grace under pressure" which was John F. Kennedy's definition of courage, when at attempt was made on his life. He has earned the soubriquet of "the great communicator" by his easy mastery of television, and he has been surprisingly, though not totally, persuasive in his dealings with Congress.

He has resisted the more hot-eyed ideas of the New Right, and he has shown decisiveness (Grenada) and caution (Central America) in his handling of foreign affairs. For all but the most ideological of conservatives, the past four years have not been a disappointment. For all but the most irredentist of liberals—if they are *honest* with themselves—they have not been as bad as they feared. For the average American they have been years when things seemed to be getting better, and wounds healing.

### *Doubts*

That said in justice, the record of the first Reagan administration has not been truly impressive, and the prospects for the second are not altogether reassuring. In economic management, the administration has scored with what cricketers call a Chinese cut. That is the undignified stroke where a player, looking to speed the ball through the covers, sees it trickling over the boundary at fine leg instead. The upbeat story of lower inflation, falling unemployment and recovery from recession is a superficial account of a more *complex* and troubling reality. Growth now looks like slowing down hard, the budget deficit will hang over the economy throughout the coming four years, and the current account deficit is spiralling out of control at \$12bn a month and rising. The economy has regained vitality, but it has not achieved equilibrium, and it must be one of the chief aims of the new administration to restore confidence in American public finance.

Even graver doubts surround President Reagan's management of foreign policy. A year of electioneering has postponed answers to three questions, in particular, that are now insistent. How will Washington deal with the underlying crisis of Central America—by financing counter-insurgency or by tackling the trouble at its roots? Will the U.S. continue its jumpy behaviour in the Middle East, or will it settle down to a steady search for a settlement for the whole region? Above all, now that he has done so much to restore American prestige and spent so much to increase America's military power, will the President engage in purposeful dialogue with the Soviet Union? That will be the true test of a second Reagan administration.

# Valuable agenda for Europe

THE ANNUAL report on Europe's economic policies and prospects produced last week by *the European Commission* is one of the most valuable documents to have emerged in years from *Brussels*—or from any other centre of international economic policy-making. While the report supports strongly the consensus views that measures to improve the functioning of labour markets and to promote competition *are indispensable before* Europe can resolve its unemployment problems, the Commission goes beyond the ritual repetition of this formula in two important respects.

First, it draws attention to the gulf between the rhetoric *of European governments* and their concrete efforts to remove the "supply side" obstacles to *job creation and economic* growth. It presents a detailed programme for action — on issues such as payroll taxation, deregulation, competition in the service industries and employment protection—which makes abundantly clear how much governments themselves could do if they had the will to heed their own exhortations.

Second, the report recognises that, while supply side policies are necessary for sustainable improvement in job prospects, they are unlikely to be sufficient. To make significant *inroads into the dole* queues, internationally co-ordinated policies on demand, *as well* as supply, could be necessary.

On current policies, the EEC economy will grow by about 2.3 per cent next year, after a 2.2 per cent growth rate in 1984, according to the Commission's forecasts. Such a growth rate is *simply too slow to make any* dent in unemployment. That alone would make it unsatisfactory but it is also insufficiently ambitious in two other senses: as a long-term trend 2 per cent-2½ per cent appears inadequate in relation to Europe's past *history, to the progress* being made in the U.S. and Japan and to the likely rate of technological advance. This unsatisfactory trend reflects the rigiditise and inefficiencies on the supply side of the European economy, the Commission argues. But *in* the short-term a 2.2 per cent growth rate is even more disappointing, because it allows for no cyclical catching *up after the long and deep* recession of 1980-83; the bottom of a business cycle is not a very *satisfactory* starting point for a steady growth trend, particularly when the trend itself is so sluggish.

As an illustration of what might, in principle, be achieved, the report suggests that the medium-term trend growth rate *of the European economy could* be raised from the current 2¼ per cent to around 3 per cent by structural, "supply side" measures to improve the functioning of Europe's markets. In addition, the margin of spare capacity which still exists in most European countries after the recession could allow growth to rise above this trend rate for *a few years.* A cyclical catching-up process could, in the Commission's view add about 1 per cent a year for two years to the Community's growth rate without endangering the progress made against inflation.

### *Warning*

One way of promoting this catching-up process would be *for countries which had already* succeeded in bringing their budget deficits "soundly under control," to "pause" in their fiscal consolidation and speed up the reduction of tax burdens, the Commission suggests. However, it adds a vital caveat: such a temporary acceleration of economic growth should be attempted only if longer-term *measures to improve the supply* side of the economy are undertaken at the same time.

*There can be plenty of dis*agreement about the precise estimates which the Commission has used to illustrate its argument.

What cannot be disputed is the importance of the general themes in the Commission's *analysis. By reminding govern*ments how much they could do, at least in principle, to improve and co-ordinate their policies on both supply and demand, the Commission has provided not only a valuable agenda for debate and action but an essential tonic against the dangerous defeatism on unemployment which is spreading throughout Europe.

Foreign Affairs

# Why buying Trident would be a mistake

**Ian Davidson** examines the strategic case for and against Britain buying the Trident missile system in the light of its rapidly rising costs


SOME TIME in the near future, the defence committee of the House of Commons will launch an investigation into the British Government's programme to buy the American Trident submarine-launched strategic nuclear missile system. The main reason *for its concern, and the primary* focus of its inquiry, is the apparently inexorable escalation of the cost of the project. But it will also be helpful if the committee would cast a passing glance at the underlying strategic rationale of a British national deterrent.

When the Trident project was first announced as a replacement for the existing Polaris submarine system, four years ago, its costs were put at £4.5bn to £5bn. By the spring of this year the bill had been adjusted to £8.75bn —*officially*. But unofficial estimates suggest that the figure will be much higher. Grieveson Grant, the City stockbrokers, calculate that it will now be around £9.6bn; and Mr David Greenwood, director of the Aberdeen University Centre for Defence Studies, upgraded his assessment to £11.5bn six months ago —by now it could be more.

One element in the cost increases derives from simple inflation, or money-illusion: a calculation based on 1980 £s looks rather different if based on 1984 £s. Another part derives from the dollar ex*change rate*: since the initial decision, the Government decided to "save" money by shifting a larger proportion of the expenditure to the U.S., so that approaching half the total bill will be paid in dollars; but in the meantime the dollar has rocketed. The estimate of £8.75bn was based on a dollar exchange rate of \$1.53; a 20 per cent drop in that rate produces a 10 per cent increase in the total sterling bill, and accounts for the whole of the Grieveson Grant upgrading, without taking any other factors into account.

No doubt the chaps at the Ministry will argue that what goes up may well, and indeed, will probably, come down. They could have a point. At its present levels, the dollar looks *grotesquely overvalued*, and common sense suggests that it should, sooner or later, fall to a more *normal level; if so*, the sterling cost of the Trident project would also appear to fall. On the other hand, common sense has long asserted that Reaganomics was an unsustainable Indian rope trick; yet it is conceivable that the sheer diffi*culty of doing anything radical* about the U.S. budget deficit may force a strong dollar policy through the interest rate mechanism for an indeterminate period.

Two points immediately stand out. The first is that, while the Trident might or might not be an independent British deterrent once operational, during the procurement phase it is at least 50 per cent dependent both on American costs and on American monetary policy. To that extent, British predictions on resource allocation for such a project are a gamble: when the exchange rate can switch back from \$2.40 to \$1.20-odd in a few years, financial planning is no better than betting on the horses.

The second point is that defence ministries remain, even in these straitened times, the last of the great big spenders. *Everyone knows that cost escala*tion in defence procurement is an order of magnitude greater than inflation for consumer goods. So when defence ministry officials assure you that the latest hi-tech *unproven toy will be an absolute bargain*, there is only one rational reaction: count the spoons — at least twice.

Moreover, circumstances have changed in a couple of ways since the Government first set its heart on Trident. When we were first being soothed with *the bargain-basement charac*teristics of the Trident project, and with assurances that it would not cost, on average, more than 3 per cent of the defence budget, the UK was still committed to the Nato target of *substantial real in*creases in total defence spending. Since then, however, the British Government has determined that these real increases will end in 1986; already, it appears, the Treasury is putting the squeeze on the *Defence Ministry. In other* words, peak spending on Trident in the late 1980s would occur at a time of stagnation in the defence budget; or rather, because of the specific nature of defence costs inflation, at a time of effective decline in de*fence purchasing power*.

Secondly, and perhaps more important, President Reagan's first term has swept away the complacency with which governments used to expound nuclear weapons policies, and has lent new urgency to the widespread recognition that Nato must, for its own safety, reduce its reliance on nuclear weapons in the European theatre. Participants in this debate range from American exponents of super-hype, bent on selling Nato all kinds of hi-tech tricks, to European pessimists who believe there will be no extra money, even to improve Nato's performance of its existing tasks. No serious person argues that Nato should reduce *the effectiveness of its conven*tional defence. In these circumstances, the British Government's early argument for the cost-effectiveness of Trident (*before the figures* started to escalate), that it would be worth more to our security than two extra armoured divisions, now sounds less compelling than it once may have seemed.

If money were the only problem with Trident, it might be soluble, at least in part. Various alternative schemes have from time to time been *floated, most of which would* probably be cheaper, and most of which include a substitution of cruise missiles for ballistic missiles: land-based cruise missiles, like those at Greenham Common; cruise missiles launched from aircraft; cruise missiles on existing Royal Navy ships; cruise missiles on specially built small coastal vessels; or finally (the apparent preference of the *Liberal-SDP Alliance*), a prolongation of the life of the existing Polaris submarine missile system, either for its own sake, or in the hope that it could become a bargaining chip in multilateral arms control negotiations in*volving the two super-powers*.

Unfortunately, all these schemes have disadvantages. The essential requirement for a one-shot system is that it should be virtually invulnerable to pre-emptive attack. This probably rules out land-based *or air-launched cruise missiles;* for while their mobility should give them security, their precrisis locations would be knowable and attackable, and the problems of knowing whether or when to send up missile-carrying aircraft in conditions of growing crisis would be horrific.

Permanent sea-basing seems more obviously secure, but the alternatives to the existing type of system face serious objections. If cruise missiles were installed on specially-built submarines, the total costs might not be all that different from a ballistic system; for while cruise missiles would be cheaper individually, their eventual vulnerability to Soviet air defences would require large numbers of them, and probably more submarines than in the case of Trident. (And submarines account for much of the cost of Trident.)

To place nuclear cruise missiles on conventional naval ships or submarines faces the objections common to all dual-capable systems: in the event of crisis or war, it might be impossible satisfactorily to reconcile the conflicting operational requirements of secrecy and invulnerability, on the one hand, and military engagement on *the other*. The need for an invulnerable last-ditch capability virtually forces a choice of system solely dedicated to that task. It is not difficult to see why the centre parties, faced with an unattractive series of alternatives to Trident, should opt for the *least unattractive*, an extension of the life of Polaris, in the hope that something better will turn up later.

Unfortunately, there is little ground for that hope, for the simple reason that Britain has tied its "independent" strategic deterrent to the U.S. General de Gaulle used to argue that this made Britain politically dependent on the U.S., in terms of its eventual freedom to decide to fire the weapon. But the more serious objection is that it makes Britain dependent on the U.S. for the type and there*fore* the cost of the weapon system. The development from Polaris to Poseidon, Trident I and Trident II, may suit the U.S., but there is no reason to assume that, at any given moment in the replacement cycle, what is on the shelf in America will match Britain's needs or its budget. The French may pay heavily for their strategic deterrent, but at least their incrementalism spares them the rigidities of a one-time choice between various unpalatable alternatives.

This criticism is particularly acute in the case of Trident II. If Polaris with 64 warheads is adequate for last-ditch deterrence, it is hard to see why Britain should now need a system which, with the same number of tubes, could deploy up to eight times as many warheads.

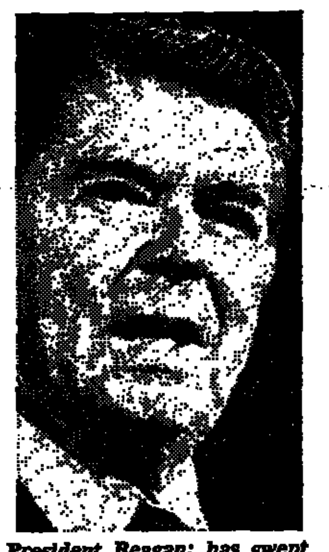
But the real trouble with this kind of quantum jump to a wholly new system, which would be designed to be operative for the next 30 or 40 years, is that it demands a plausible answer to the fundamental question: what is Trident *for*? To my mind that plausible answer has not, so far, been forthcoming.

For the foreseeable future, the security of Britain and the rest of Europe will be contingent on the presence and commitment of the U.S. The U.S. *presence may in turn be* contingent on persuading Congress that Europe is making a big *enough effort for its own* conventional defence. If that persuasion is jeopardised by the transfer of resources to Trident, it will be money very badly spent.

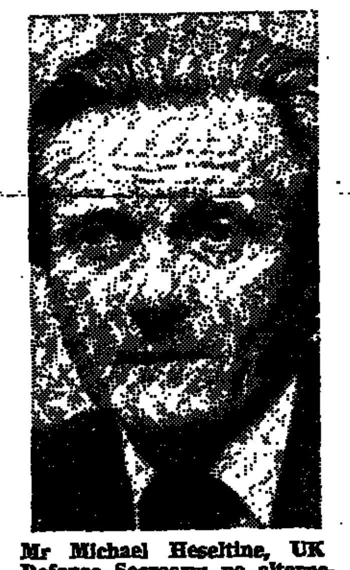
Moreover, while it is difficult to conceive of circumstances in which any of the nuclear powers would be justified in using nuclear weapons, it is particularly difficult in the case of a small nuclear power like Britain, acting on its own.

The conventional rationale is that Polaris/Trident would deter Soviet attack by threatening "unacceptable damage" in retaliation. But who is to judge what would be unacceptable? The most plausible scenario for potential Soviet attack on the UK would be as a result of escalation from conventional conflict. Such escalation might quickly become uncontrollable; but even if it were controllable, there is no level of exchange between Britain and Russia which could possibly be favourable to Britain, *acting on its own*. The credibility of the British deterrent (and the French) rests, as always, on the presumption of the American commitment; on the massive redundancy of systems which threaten, not "unacceptable damage," but equivalent, approaching total, destruction.

It is arguable that Europe must maintain a nuclear capability as an insurance against the possibility that the Americans may one day go home. But to make a massive increase in that insurance premium when the tide of political and professional opinion urges reduced dependence on nuclear weaponry, and closer defence co-operation in Europe, seems, at the very least, imprudent.



President Reagan: has swept away Europeans' nuclear complacency



Mr Michael Heseltine, UK Defence Secreary: no alternative to Trident

# Men and Matters

## Golden welcomes to tempt talent

Walter Goldsmith, now chairman of the executive search firm Korn Ferry International, has been busy finding talented people and fitting them into top slots since he left the running of the Institute of Directors.

He tells me of a new phenomenon in the hiring and firing business—the Golden Welcome.

*The well-established Golden* Ha-ndshake was designed to ease the pain of leaving. Now some companies are offering desirable candidates for senior jobs a truly Golden Welcome on arrival.

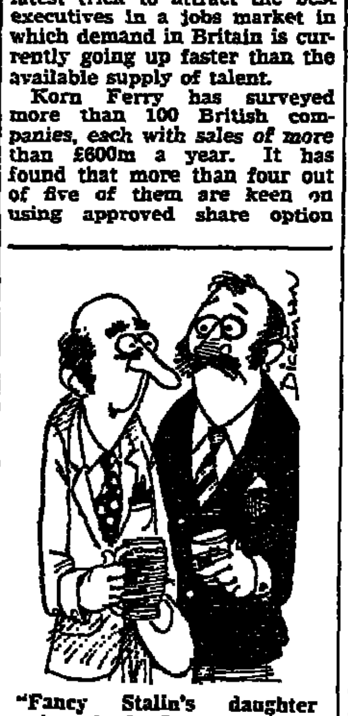
Fast-moving executives are having money pressed into their willing hands as part of the deal for accepting new jobs. Five-figure sums have been exchanged in some cases, I am told.

The Golden Welcome is the latest trick to attract the best executives in a jobs market in which demand in Britain is currently going up faster than the available supply of talent.

Korn Ferry has surveyed more than 100 British companies, each with *sales of more* than £600m a year. It has found that more than four out of five of them are keen on using approved share option schemes as an employee incentive. While golden welcomes can only be the perks of a favoured few, stock options are *seen as an attractive enducement* to all staff.

Following the last budget any profits from approved schemes are to be treated as capital gains, with consequent tax savings for most salaried staff.

Goldsmith says that more than half the companies he *has surveyed* have reached the stage of drafting new or revised share *option schemes. Another 28 per* cent, meanwhile, are actively considering introducing schemes.



"Fancy Stalin's daughter going back—I didn't even know she was an athlete"

## Yen to change

Latest sign of changing times in Japan is the discarding of scholar-ruler Shotoku (who lived in the 7th Century) and Hirobumi Ito (a rpe-war prime minister of Japan).

The two worthies have been replaced on Japanese bank notes by 20th Century figures. *The move is seen by Asia*-watchers as symbolising a tendency in Japan towards a more outward-looking attitude.

The men (no women have made it yet) who adorn the new yen notes strove in their careers to bridge the gap between Japan and the West.

Soseki Natsume, a novelist, takes up residence on the 1,000-*yen note. Scholar diplomat* Inazo Nitobe has the 5,000-yen note. And educator Yukichi Fukuzawa the 10,000-yen note.

## No cleft sticks

The first Irish relief plane *to* land in Addis Ababa carried not only seven tons of relief *supplies, but* six ill-prepared journalists who had been shipped out by their news editors at a few hours' notice.

Help was at hand, however. The aircrew handed out the contents of the galley to the uneasy scribes—hors d'ouvres *various, chicken curry*, Irish stew, cans of mineral water, and all the toilet rolls on board.

"You'll be glad of that in a few days," said one of the pilots with the voice of experience.

## Quietly rich

*After the dramatic personality* clashes of the long Lonrho-House of Fraser battle it is *quite refreshing to* find that the latest participants, the Egyptian Al-Fayed brothers, are actually shy of publicity.

Before Friday's announcement of their £138m purchase of Lonrho's 29.9 per cent stake in House of Fraser, little was known of the three brothers—Mohamed, Ali, and Salah—beyond the fact that they are very, very rich.

Their business was founded a hundred years ago in Alex*andria by the brothers' great*-grandfather, and was based there until it was moved out of Egypt at the start of Nasser's regime.

The original interests—land-owning, shipping, and cotton trading—are still the basis of today's business.

The brother run scheduled passenger ships in the Mediter*ranean from a base* in Genoa, and have a tanker business as well. They also have a banking arm.

Above all though—and this is where the Harrods connection fits in—they have a taste for upmarket real estate.

*Their property portfolio in*cludes bits of the Rockefeller Plaza in New York, and some of th*e* more expensive chunks of Switzerland.

Other classy holdings include the Ritz in Paris—an hotel whose international standing has rise nsince the brothers bought it some five years ago.

Of the three brothers the *most active in the current* deal are Mohamed, the eldest—now in his mid-fifties—and middle *brother Ali*.

The involvement of the brothers with Tiny Rowland goes back for some ten years. There was a share deal over *engineers Costain in the mid*-seventies which gave the broters a brief tenure on the *Lonrh*o board.

Their sister-in-law, Mrs Adriana Fmnaro, has also undertaken some astute dealing in House of Fraser shares.

Of late, thoug,h relations between the brothers and Rowland have been "fairly cool" says one of their associates.

## Ridley's eye

You can measure a man by the company he keeps, said Peter Walker, the Energy Secretary, of the ill-fated visit to Libya by Roger Windsor, of the NUM *executive*.

Now Walker's cabinet colleague, Nicholas Ridley, the transport secretary, has spelled out exactly in whose company he places NUM activists.

During a meeting at the Institute of Directors he was asked an innocent question about the efficacy of the vehicle registration scheme.

Ridley replied briskly: "We must be able to check on stolen cars, muggers' cars, robbers' cars, and pickets' cars."

## Clerical error

Bishop "Bill" Westwood, who is shortly to become Bishop of Peterborough, told of his favourite newspaper correction at a City dinner the other night.

"The headline on last week's Page 3 feature should have read, '*How to say no to* a rapist and survive' . . . and not, 'How to say no to a Baptist and survive.'"

***Observer***

SPENDING ON BRITAIN'S INFRASTRUCTURE

# Brushing up the blueprints

By Robin Pauley

IN A most unusual display of unanimity, both the Confederation of British Industry and the Trades Union Congress are currently urging the Government to mount a substantial spending programme on the nation's infrastructure — its working "fabric."

The thinking behind their appeals is very different: the CBI believes improving roads, ports and other facilities will boost companies' international competitiveness. The TUC, whose proposals are much more ambitious, sees it as a way of alleviating unemployment.

But many of the practical proposals bear striking similarities. For example, their proposed road building programmes are often the same, such as acceleration of the A1-M1 motorway link in the East Midland, or speeding up work on the notoriously congested route from Exeter to Penzance in the Southwest.

Demands for more public spending on the infrastructure are not new: throughout the recession there have been calls from various quarters for the Government to act. But, by and large, Ministers have resisted such schemes because they run counter to its economic strategy.

Now, however, fresh life has been injected into the debate by a combination of three factors: Firstly, the CBI, currently holding its annual conference in Eastbourne, is putting forward plans for a relatively

### Three factors have fuelled the debate

modest £3bn spending programme over 10 years which, it says, can be achieved within the Government's economic strategy.

Secondly, Government hopes of the unemployment rate stabilising have proved misplaced: it is still on a rising trend. And thirdly, there is a growing feeling on the Tory backbenches that "something must be done" to ease the problem.

The debate prompts two basic questions: Is Britain's infrastructure in such a poor state that an increased capital spending programme is necessary? And would such a programme help or hinder overall economic efficiency?

Public sector capital investment has dropped sharply in real terms over the past decade, even though total public expenditure has remained high as a proportion of gross domestic product.

The Government's *national income and expenditure* statistics show that general government fixed capital formation fell, in constant prices, from £5.5bn in 1973 to £2.1bn in 1981, a drop of more than 60 per cent. Since then, it has recovered slightly.

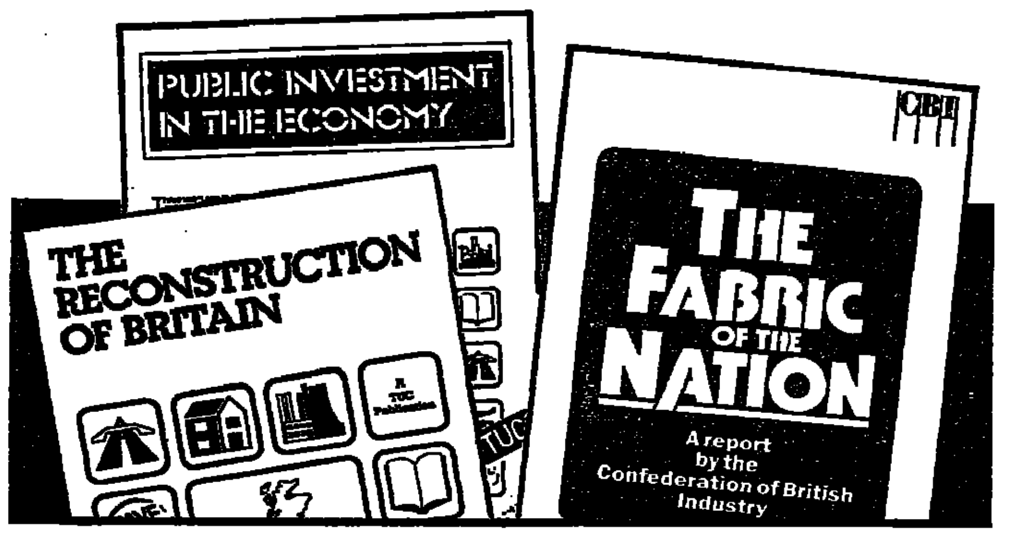
As the public sector is almost exclusively responsible for expenditure on roads, bridges, sewers and water works, there has been a major real cutback on infrastructure spending. Since 1979 spending on road construction and improvements alone has fallen by 60 per cent in real terms.

Does it matter? Infrastructure does not collapse overnight or even within a decade. But like an individual's home it needs upkeep, repair, maintenance and sometimes substantial renovation or replacement. If such work is ignored for years, the result is accelerating deterioration with a much larger bill at the end. Sooner or later, money has to be spent on the basic infrastructure. The question, in Britain's case, is when?

There is little evidence, for example, that Britain's ageing system of water pipes and sewers is crumbling at an alarming rate, even though there have been local collapses, which are repaired as they arise. A slow programme of general maintenance and renovation is under way. However, argument continues about whether the rate of repair is fast enough to avoid major collapses in future.

Similarly, bridges and the nation's houses may not be in danger of collapse, but they are falling into disrepair; the Severn Bridge and London's Hammersmith Bridge now need major remedial work; the public sector housing stock needs substantial renovation, which cutbacks in local authority spending programmes do not permit. It is now generally accepted that Britain is storing up an expensive housing problem for the future.

But while some useful capital




projects have been left undone because of severe cutbacks in investment, the country has also avoided spending on the type of extravagant project which has brought public sector capital expenditure into such disrepute. One example is the underused Humber Bridge.

Projects like this help explain why so many economists object to grandiose infrastructure renewal schemes. They can involve large sums of public expenditure which, as an artificial stimulus to the natural rate of growth, can be potentially inflationary. The money goes on items of sometimes dubious merit which, once completed, contribute little to the overall level of economic activity. They are short-term providers of employment and long-term debt liabilities.

These arguments are particularly compelling when the battle against inflation is the top priority. But they become less forceful at times of severe economic recession or when, as now, inflation is broadly under control and unemployment has returned as the main political preoccupation.

But critics of infrastructure programmes as a reflationary tool still ask: Why is this investment preferable to any other kind of stimulus such as tax cuts, other government spending, or lower interest rates, all of which stimulate expenditure on goods and services?

Supporters of more capital spending offer two main answers. One is that capital works are heavily labour-intensive. They would enable a substantial impact to be made on unemployment at a time when there are 450,000 construction workers on the dole and the construction industry is still struggling to recover from the recession. The second is that there is a very low import content to infrastructure work, most of the materials being generated in domestic industry which, in turn, means more jobs in Britain.

Furthermore, the state of the country could be improved, while part of the labour-creating costs would be offset by increased economic activity and a rise in government revenues through, for example, higher tax payments and lower social security payments.

But it may be that public spending programmes should not merely be seen in macro-economic terms. Common sense suggests that in each project the likely future benefits should be weighed against present costs by means of thorough cost-benefit analysis. This the Government has not done.

The CBI's plan rejects infrastructure spending as a way of boosting demand: "If indiscriminate investment is pushed through just to boost demand, it can raise interest rates and inflation and result in waste and inefficiency, thereby damaging competitiveness and, in the long run, growth and jobs as well."

But it maintains that a carefully controlled programme can boost the international competitiveness of its members, who say they are at a disadvantage against their European rivals who have good access to continental ports and better road links to European markets.

Sir James Cleminson, president of the CBI, says: "The nation does not yet have a network which links ports adequately to the main industrial centres. Trans-shipment at ports adds to costs and lengthens delivery times.

"Today, 60 per cent of Britain's total trade is with the nations of western Europe. If UK businesses are to compete effectively within the European Community they must have an infrastructure that is at least as good as that within the rest of the Community. Manufacturers in Germany, Holland and Belgium and France are much nearer to the centre of this vast and growing market. These rivals will continue to have a competitive advantage for as long as their infrastructure is more efficient than ours."

The CBI also draws attention to other infrastructure works —not central to its current demands—which it thinks will require "considerable investment" over the next 15 years, including inner cities and the water supply and sewerage systems.

However, these are central to the TUC programme. Its "Reconstruction of Britain" plans call for a much larger investment than the CBI—£30bn over five years with the target of creating 600,000 jobs.

"We are calling for a large-scale, long-term public housing investment programme aimed at starting an extra 125,000 houses a year, costing an extra £3bn a year on average," says Mr Len Wood, chairman of the TUC Construction Industry Committee. It has organised a lobby of Parliament on the issue for tomorrow.

The TUC wants a further £3bn a year to be spent on sewers and water, energy industries, transport, the inner cities, and railway electrification. It is aiming for a major stimulus to economic demand, reducing unemployment, and improving social facilities, particularly housing.

Spending £30bn over five years would create 227,000 building and construction jobs on-site plus a further 73,000 similar jobs off-site, the TUC estimates. This would have a multiplier effect, creating a further 300,000 jobs elsewhere in the economy.

The Thatcher Government would never contemplate anything on the scale of the TUC plan. Indeed, there is no evidence that it is considering additional public spending of even the modest proportions suggested by the CBI.

### From training to the dole queues

If, as expected, the Government announces about £500m of "job creation" initiatives they are more likely to involve additional training and retraining schemes. These are very cost-effective in getting people off the unemployment register.

But these schemes have not proved very effective creators of permanent jobs. Many participants have simply joined—or rejoined—the dole queues.

So it is possible that, if the economy is in reasonable shape when the miners' strike is resolved, the Government might feel more responsive to the employers' and employees' ideas. For where the TUC and CBI plans coincide, they simply involve bringing forward work which has to be done anyway.

## Lombard

# Time to return to normality

By Samuel Brittan

ARTHUR SCARGILL's success in continuing the coal strike after the National Coal Board has gone as far, or further, towards compromise than the most wishful-thinking bishop could desire, demonstrates one thing: the power of a single, determined person, who knows what he wants and does not care how he gets it, over a weak, vacillating and defeatist British establishment. It is our luck that he faces an equally determined woman, determination being the only point of comparison.

Wishful thinking dies hard. Against all the evidence to the contrary professed middle-of-the-roaders hope that the TUC, or Neil Kinnock, or the NUM executive will put pressure on Scargill for a compromise settlement. All the signs are that the other elements of the "labour movement," when faced with a will far firmer than their own, will continue to back Scargill rather than risk being charged with the betrayal of a key union.

For the rest of us, determination and seeing it through are not enough. The strike has already slowed down British recovery and aggravated unemployment, as anyone but a professional forecaster can see. Some part of the growth loss may be once-for-all, but with a little courage and leadership, the depressive influence could now be behind us. It is good policy to show a bully that he can no longer hurt you.

There is no reason why the UK economy should not manage indefinitely without the striking miners; and why British industry should not invest, export and plan on the assumption that enough energy will be available in world markets.

If the striking miners can maintain themselves on supplementary benefits, extended credit, the black economy and neighbourly help, let them do so as long as they like. If they eventually become fed up with being the foot soldiers of a Luddite-Marxist pseudo-revolution, they can negotiate the terms of return on the basis of a reasonable and degressive amount of public subsidy, plus aid for new industries in mining areas, but without any more lip service to the outmoded Plan for Coal.

The attached table, which is approximate, but reasonably reliable, shows that, taking into account the conversion of generating plant to oil and other fuel supplies, the remaining deficiency of the electricity generating boards is about 15m to 20m tonnes. This is required almost entirely for the winter months.

It is also about the same as existing coal stocks. A much greater margin of safety would be desirable. This could be provided by some mixture of increased imports and the moving of the additional stocks at pitheads. If the latter can be carried out with contract labour well and good.

Other steps are needed. Redundancy payments should be made here and now to the miners who have already applied for them, even if this means amending legislation. The number is already nearly as great as the total manpower reduction the NCB is at present seeking. There is also a case for imposing, say, a January 1 deadline beyond which the existing highly generous NCB offer would lapse — not as a threat, but as an undertaking.

But above all, there should be no further negotiations with Scargill, either through Acas or other well-meaning agencies, until the miners' leader is willing to budge.

The present gloom and defeatism is unnecessary, self-created, and need not last.

ELECTRICITY SUPPLY BALANCE SHEET, APPROXIMATE

| | m. tonnes pa |
|---|---|
| Normal use of Coal by CEGB | 70 |
| Supplies from Working Miners | 20 |
| Deficiency | 50 |
| Converted from Coal to Oil and Nuclear | 25 to 30 |
| Extra Coal Imports | at least 5 |
| Remaining Deficiency | 15 to 20 |
| Coal Stocks | 15 to 20 |
| Additional Stocks at Pit Heads | 20 to 23 |
| Safety Margins for Weather etc | 4 to 8 |

## Letters to the Editor

### Added value and extra pay

*From the Chairman, May-MSL Management Consultants Group.*

Sir,—Gross domestic product and national inflation rates are all very well for economists and politicians. The practical equivalent of GDP in industrial and commercial organisations is added value. I suggest that the costs of employment should move in relation to added value, with one proviso: remuneration in total absorbs only that proportion of added value which allows the organisation to invest in new products, systems and equipment. In most manufacturing industry the proportion will be between 60 per cent and 70 per cent.

Added value is a practical and discriminating guideline; it varies widely from sector to sector and from company to company within each sector. Absolute added value can vary from about £9,000 to well over £100,000 per person employed. Today the company seeking to pay in the middle of the pay market nationally will have to achieve an added value of around £16,000 per person.

If a company or a division of a company is able to increase its added value per person faster than inflation, it is in a position to increase remuneration faster than inflation and still have the ability to invest: such real growth expressed in added value makes it possible to employ more people.

D. S. Anderson.
*22, Grosvenor Gardens, S.W.1.*

### Contract hire for cars

*From the Managing Director, Interleasing (UK)*

Sir,—The "What to buy for business" report (Contract hire costs most for company cars, October 23) makes sweeping statements based on inaccurate data and only half the facts. Indeed, Mr Oppenheim (a director) seems to have a hang-up about contract hire, which is thankfully not shared by a fast-growing band of professional managers and companies in the UK who can see both the cost benefits, and the operational benefits of using the contract hire approach for their vehicle fleets.

The first mistake is not to appreciate the problems of running a fleet (especially a large fleet) of high, and variable mileage cars, and it therefore makes no allowance for the management and administration costs involved. Outright purchase not only means buying fast depreciating assets, but it also means taking risks—on servicing costs, repair costs, relief vehicles, and the many other areas of expenditure involved in vehicles. Contract hire goes a long way to remove these problems, so that managers can concentrate on running their own businesses.

The second mistake is to get the figures wrong when comparing finance leases with contract hire. The allowance for service and maintenance is woefully inadequate, rentals too high, and miles per annum comparison too low for realistic purposes (2 year, 15,000 p.a.). And residual values are wildly optimistic.

A. B. Hughes.
*187, Broad Street, Birmingham.*

### Exchange rate stability

*From Mr K. Graves.*

Sir,—In your leader "No nostalgia for exchange controls" (October 25) you state that "the clean float of sterling is central to the Government's economic strategy" and that "in the long run, a country can only pursue an independent monetary policy, and hence achieve more control over its inflation rate, if its currency is floating freely."

This does not accord with the now accepted philosophy that countries should seek to co-operate in such matters; this object indeed being the raison d'etre of the International Monetary Fund. While I can see that a clean float might activate the invisible hand and lead to the general good in theory, there is too much uncertainty attached to it. In any case intervention by central banks in the foreign exchange markets tends to make nonsense of the concept of a "clean float." Indeed one might be forgiven for regarding floating rates as a form of economic autarchy and fixed (but flexible) rates as a form of international co-operation.

This of course is to put the matter in rather stark terms; but it is interesting that in your issue of October 24, the director of the Institute for International Economics, in advocating "leaning with the wind" in currency intervention, states that "it is . . . essential that such intervention be carried out co-operatively by the major central banks." He goes on to cite the example of November, 1978, when the U.S. collaborated fully with Germany, Japan and Switzerland to support the dollar.

Furthermore, recent renewed calls for Britain to join the European Monetary System spring, at least in part, from the belief that countries ought to co-operate in matters concerning the exchange rate; but if we are going to advocate the pursuit of independent monetary policies and the achievement of control over countries' own inflation rates, then this would be to fly in the face of the EMS, membership of which would seem to subsume a greater degree of convergence in such areas of economic life. The Governor of the Bank of England appears to have come down on the side of our remaining aloof from commitments to *tie ourselves in with a system* demanding an explicit exchange rate objective.

Which school of thought is right? For my part (and for what it is worth) I have never been in favour of our joining the European Monetary System. Though we cannot of course approach the exchange rate problem from a strict purchasing power parity viewpoint, the exchange rate is, after all, the end result of a whole complex of economic forces and reflects the underlying realities of a country's internal economic situation. Yet we seek, directly or indirectly, to force exchange rates into garments which do not fit.

K. T. H. Graves.
*187, Pensby Road, Heswall, Wirral.*

### Expats in Britain

*From Mr A. Carpentieri.*

Sir,—It would seem remarkable that there has been hardly any coverage in the Press (if at all) related to the tactless withdrawal of the foreign emoluments concession which a lot of expatriates like myself were granted as an incentive, whether employed in oil or banking or any other international field, to work here in the UK for non-resident companies.

No reasons were given in the last Budget for this sudden change of heart and judging by the method it was enforced (without any prior notice whatsoever) it would appear that Government advisers on this occasion have totally misjudged the issue both on political and diplomatic grounds.

Whatever the reasons, it would certainly have appeared to be more in line with British practice to give an adequate phasing out period before the legislation was duly enacted. As it happens this sudden announcement followed by a withdrawal notice retroactive to April 6 has created a lot of hard feelings conveyed to the UK authorities by both the expatriate community and the Chamber of Commerce, but, despite wide representations of protests the UK Government has passed legislation to this effect.

If the intention was to merely raise more tax revenues then I would have thought some careful consideration should have been given to the large amount of taxes which expatriates already pay and it is fair to say well above the average.

Apart from income tax, expatriates in London tend to live in more expensive accommodation which means higher rates, they generally tend to spend more which means more VAT contribution and they pay the top rate national health insurance contributions.

Above all, London, as a major centre of international business runs on all these foreign companies who in one way or another provide local employment and are substantial contributors to the UK economy.

I wonder how many of your European-Continental readers would agree that this was a "fair" step to take against expats in London!

A. Carpentieri.
*28, Addison Gardens, W14.*

### Satisfying the gas market

*From the Director, Association for the Conservation of Energy.*

Sir, — Your October 31 editorial, outlining the pros and cons of British Gas proposed £20bn purchase of Norwegian gas, curiously omitted one factor which the House of Commons select committee on energy at any rate considered of importance when it examined this issue earlier this year: specifically, whether British Gas had investigated in sufficient depth the demand management option of satisfying its market in the 1990s?

As the Liberal energy spokesman Jim Wallace queried in his letter to you of November 1, it would indeed be reassuring to everyone anxious to ensure we run our nationalised fuel industries as efficiently as possible, to know that the option of developing positive energy conservation promotion policies had been seriously considered by British Gas. Such policies, if introduced in the way so many American utilities are doing, can effectively reduce demand and obviate the need for over-extensive further supply investments.

Even a tacit recognition of this increasingly viable option within your editorial would have been welcome.

Andrew Warren.
*9, Sherlock Mews, W.1.*

FINANCIAL TIMES
Monday November 5 1984



## Terry Byland on Wall Street

# CATS are investors' best friend

*THE third quarter of 1984 is beginning to look like a watershed for U.S. financial markets, with the fourth quarter already bringing something of a sea change as the sudden downturn in short and long-term interest rates sweeps over the credit markets.*

It is not too hard to guess which sectors of the markets did best in the third quarter. A survey of returns on various grades of financial securities over the quarter, conducted by Salomon Bros, shows that the markets were ably performing their proper task of moving ahead of events and responding to changes still in the economic pipeline.

The hope, and then the signs, that interest rates were moving lower brought strong advances in the credit markets and in stocks *sensitive to interest rates*. Nevertheless, Salomon's league table shows that special factors also had *an influence on some prominent* sectors and that, as always, there was no substitute for selectivity.

The best return came from seasoned, long-dated but callable zero-coupon U.S. Government stocks. All returns are non-annualised, and characterised as price change plus income as a percentage of starting value, before reinvestment and taxes. Traded as "CATS," or Certificates of Accrual on Treasury Securities, those issues returned 31.8 per cent over the third quarter.

CATS, created by Salomon Bros but now sponsored by other Wall Street firms as well, are formed by stripping out the dividend from a federal bond, which is then sold on its own. The absence of dividend coupons enabled prices for CATS to respond in full to the fall in bond market yields. The longer the maturity date, the greater the price discount on issue, and the callable option offers an added potential bonus should the Treasury decide to repay the bond early at face value.

CATS with only 10 years to maturity and no callable option added only 17.9 per cent, underperforming *some of the stock market issues*.

The Dow Jones industrial average came well down the list of *sector gains for the quarter, which indicates* how selective the stock market was. Industrials were easily outpaced by bank stocks. Salomon's bank stock average gained 19.9 per cent over the three months, despite the *traumas caused by developments* at Continental Illinois and First Chicago.

However, the Salomon average includes not only all the money-centre banks but also a number of the regional banks that have been favoured by Wall Street.

The rise in bank stocks must be measured against their weakness in the first half of the year, when the resurgence of the dollar cast fresh doubts over Latin American loan portfolios. In the third quarter, doubts over international loans were less prominent than the doubts over domestic portfolios, which involved fewer banks.

The successive downturn in money-market rates also helped the banking stocks. Banks' traditionally benefit from falls in money rates since they can usually fund themselves more cheaply for a period before dropping prime rates.

The scent of falling interest rates brought sharp gains in the electric utility stocks, pushing the Standard & Poor's utility common stock index ahead by 15.8 per cent. Lower rates benefit the balance sheets of the capital-intensive utilities.

The recovery also took in bonds of utilities with nuclear plants under construction, which jumped by 15.2 per cent. The troubles of the Shoreham project for Long Island Lighting were balanced by a more favourable outlook for nuclear projects by such other utilities as Baltimore G & E, and Duke Power.

But what should the fund manager do now, supposing he was wise enough to stuff his portfolio with callable CATS, bank and utility stocks early in the summer? Lightning never strikes the same place twice, *and the interest-rate play* may be nearing its finish.

Moreover, investors with long memories might recall that 1983, when interest rates were not falling, saw CATS right out of favour – the return on long callable CATS fell 18.2 per cent in calendar 1983. Utility issues, essentially traded in the third quarter as interest-rates issues might also find themselves out in the cold by Christmas.

Plunging oil stocks have reawakened all the old fears over the Latin American debts of the U.S. banks, with the domestic energy portfolios adding to the concern.

The one new factor for the fourth quarter might be a falling dollar – if last week's trend continues. The stock market has not yet taken that prospect on board. If it does, then the immediate beneficiaries would be the stocks of the capital goods groups, which held back the gain in the Standard & Poor's 500 composite average to a mere 9.6 per cent in the third quarter.

# China to reorganise civil aviation system

BY MARK BAKER IN PEKING

CHINA has begun a radical reorganisation *of its civil aviation system* to counter chronic inefficiency, mismanagement and bureaucracy.

The Civil Aviation Administration of China, CAAC, will be split up, ending its monopoly over China's domestic and international air services and separating its roles as national carrier and regulatory aviation agency.

Five independent airline companies and some smaller regional airlines will be formed to provide domestic and international air services.

CAAC will operate as a state council department in overall charge of civil aviation matters. Its existing international operations will be transferred to a new company structure based in Peking and will fly as "Air China."

In the first half of next year, three other companies will be set up in Shanghai, Canton and Sichuan provinces to operate autonomous regional airlines. They will also conduct some international operations.

A new helicopter company will be *established, mainly to serve industry*, and other joint venture airlines will be permitted.

*The announcement of the re*structuring follows severe criticism within China over recent years of the poor service and inefficiency of CAAC. It is equally notorious among travellers.

*One of the most glaring problems* was CAAC's double role as airline operator and government regulatory *agency. This meant it had to in*vestigate its own failures, including a series of air disasters in recent years.

The airline's political fortunes plummeted last year after a *domestic flight was hijacked to South Korea* by a group of armed workers. The airline's director-general, Shen Tu, disappeared from public view for several months and was believed to have been in disgrace.

The reforms appear to be designed to inject a high degree of competition into China's rapidly expanding domestic air services.

Shen said the regional airline *companies would be given considerable autonomy* such as the ability to take bank loans, borrow overseas to *buy or lease aircraft and develop facilities*.

Local governments would be able to form their own airline companies and undertake airline joint ventures with foreign investors.

The first independent airline company, Xiamen Airline, was formed earlier this year in the south-eastern province of Fujian. It is a joint venture between the provincial government and the owners of Aloha Airlines in Hawaii and will have an initial capital of $100m.

Shen said the six existing CAAC centres – Peking, Shanghai, Canton, Chengdu, Xian and Shenyang – will be involved mainly in air control and flight co-ordination in the *future*.

The administration's main functions would be in developing aviation policy and regulations, negotiating international aviation agreements and supervising the airline companies.

# Peking to finalise bond terms

BY ROBERT COTTRELL IN TOKYO

THE long-awaited Samurai bond issue from Peking's state-owned Bank of China (BoC) should emerge this week in Tokyo, with Nomura Securities and BoC due to fix the final pricing today, in time for a signing ceremony tomorrow.

The issue, expected to be of Y20bn ($81.6m) with a 10-year maturity, is the Chinese Government's first public foreign bond since the Communists took power in 1949.

It has since declined to honour bond obligations of previous Peking regimes, a potential handicap if it hopes to market issues in the U.S. or UK.

At present, say Tokyo bankers, China is thought likely to make medium-sized bond issues next year in the Swiss and West German markets.

Analysts say one reason for this week's Samurai issue is that BoC wants to hedge an estimated Y10bn holding of Japanese Government bonds. In June, the issue was being pencilled in at around Y40bn, and set for late September.

The reduction apparently reflects concern that recent weakness of the yen against the U.S. dollar might have left the borrower with an uncomfortably high exchange risk.

The launch date has been waiting for conditions in the Tokyo bond market to improve. Trading last week was duly buoyant, with the benchmark 59th issue of Japanese Government 10-year bonds (December 1993) yielding a record low of 6.64 per cent on Friday morning.

Mr Masaori Ito, vice-chairman of Nomura, says he expects Japan to become a leading financier of northern China's modernisation, with Hong Kong remaining the natural financier of projects in the south.

Its Export-Import Bank agreed last month to lend the Bank of China the yen equivalent of $2.4bn to develop energy reserves, after a similar $2bn loan in 1979.

Nomura is organising seminars to help Japanese investors identify appropriate joint-venture projects in Chinese cities.

Eurobonds, Pages 17–19

# Flick case allegations may widen

By Our Bonn Correspondent

ALLEGATIONS, which have centred so far on the Flick industrial empire, that West Germany's main political parties and some senior politicians have for years been receiving large undisclosed payments from industry, threaten to spread this week.

There was confirmation yesterday that an anonymous donor gave about DM 6m ($1.9m) to the Free Democrats (FDP).

In an interview to be published today in a Cologne newspaper, Herr Richard Wurbs, a former FDP Treasurer, claims that the donation, which by law should have been publicly acknowledged, was not returned because the party did not know who had made it.

Herr Hans Dietrich Genscher, the FDP leader is due to go before the Bundestag committee taking evidence on the so-called Flick affair later this week.

# Fraser chief seeks Lonrho resignations

BY JOHN MOORE IN LONDON

PROFESSOR Roland Smith, chairman of the House of Fraser, the British stores group, and the Fraser board this week intends to ask Mr Roland Rowland and Lord Duncan-Sandys, the two Lonrho representatives on the board, whether they will tender their resignations as directors.

The move is certain to provoke another clash between Lonrho and its long-time takeover target, House of Fraser.

Mr Rowland, Lonrho's chief executive, said yesterday that he would leave the board of House of Fraser only "if I think I have no further function to perform. If I do not leave, I will have to be thrown off the board."

Professor Smith said yesterday: "Champagne glasses are only half full" at House of Fraser after Lonrho's announcement on Friday that it had sold its crucial 29.9 per cent shareholding in House of Fraser.

The stake was sold to business interests of the Al-Fayed family of Egypt for £138.3m ($168.7m).

Professor Smith said that House of Fraser "is bound to tread cautiously" while it satisfies itself that Lonrho's relationship with the Harrods stores group has been terminated either directly or indirectly.

Mr Rowland warned that his latest deal "does not mean that *we are* out of House of Fraser."

Mr Mohamed Al-Fayed and Mr Ali Al-Fayed, two brothers of the family that owns the Ritz Hotel in Paris, are to join the Fraser board.

Last Friday the Department of Trade and Industry said that once it had received formal notification from Lonrho that it had disposed of its shares in Fraser it would advise the Monopolies and Mergers Commission to terminate its inquiry into Lonrho's relationship with House of Fraser and whether a takeover should be allowed.

# UK miners set to reaffirm strike

BY PHILIP BASSETT, LABOUR CORRESPONDENT, IN LONDON

LEADERS of the UK National Union of Mineworkers (NUM) are expected today to reaffirm their strike action at a special delegates' conference. Working miners, however are hopeful that there will today be a sharp increase in the number of men returning to work.

At the same time, confusion persists about management strategy at the National Coal Board (NCB) and there are increasing signs of divisions within the Trades Union Congress (TUC) over support for the striking miners.

*The NUM* conference in Sheffield, Yorkshire, is expected to endorse the union negotiators' rejec*tion of the current offer* from the NCB over pit closures.

Voting at the conference in favour of the strike, now entering its 35th week, is likely to be overwhelming. Many of the delegates from the Nottinghamshire area, where most miners are working, will boycott the conference.

Many area NUM officials do have increasing reservations about the strike and are looking to the conference to give the striking miners new direction and a boost to their morale.

Leaders of the National Working Miners' Committee are hopeful that *there will be a substantial return to* work in some areas today, boosted both by the failure of talks last *week and by the prospect of holiday* pay offered by the NCB.

The TUC's inner cabinet, the finance and general purposes committee, will meet *Mr Arthur Scargill, NUM president*, on Wednesday to consider its support.

One proposal being canvassed by committee members is the idea of trying to have discussions with the Government on a new form of a Plan for Coal.

Divisions persist in the NCB's management – particularly over the position of *Mr* Geoffrey Kirk, the director of information.

Mr Kirk is expected to return to work *tomorrow, and is then likely* to set in motion moves for his retirement, but his return to the office *is seen as a setback for Mr Ian* MacGregor, NCB chairman.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 18 | 64 | Dubrovnik | S | 18 | 64 | Malaga | R | 16 | 61 | Salzburg | S | 11 | 52 |
| Akrotiri | T | 18 | 64 | Faro | R | 13 | 55 | Malta | S | 22 | 72 | Seoul | S | 17 | 63 |
| Algiers | S | 26 | 79 | Florence | S | 18 | 64 | Manila | F | 32 | 90 | Singapore | T | 27 | 81 |
| Amsterdam | F | 9 | 48 | Frankfurt | C | 8 | 45 | Miami | S | 21 | 70 | Stockholm | C | 8 | 48 |
| Athens | F | 16 | 61 | Funchal | F | 22 | 72 | Milan | F | 9 | 48 | Strasbourg | C | 8 | 46 |
| Bahrain | S | 30 | 86 | Geneva | F | 10 | 50 | Moscow | C | 3 | 37 | Sydney | F | 20 | 68 |
| Bangkok | F | 32 | 90 | Gibraltar | R | 15 | 59 | Munich | C | 7 | 45 | Taipei | F | 22 | 72 |
| Barcelona | F | 19 | 64 | Guernsey | F | 11 | 52 | Nairobi | F | 22 | 72 | Tangier | R | 15 | 59 |
| Beirut | F | 24 | 75 | Helsinki | C | 7 | 45 | Naples | S | 19 | 66 | Tehran | — | — | — |
| Belgrade | Fg | 3 | 37 | H. Kong | S | 24 | 75 | New Delhi | F | 29 | 84 | Tel Aviv | F | 24 | 75 |
| Berlin | C | 9 | 48 | Innsbruck | S | 11 | 52 | New York | C | 6 | 43 | Tenerife | S | 24 | 75 |
| Biarritz | F | 16 | 61 | Inverness | — | — | — | Nice | C | 18 | 64 | Tokyo | S | 18 | 64 |
| Blackpool | F | 9 | 48 | Istanbul | R | 17 | 63 | Oporto | C | 13 | 55 | Toronto | R | 7 | 45 |
| Bordeaux | S | 12 | 54 | Jersey | F | 11 | 52 | Oslo | C | 8 | 46 | Tunis | S | 22 | 72 |
| Brussels | S | 11 | 52 | Jo'burg | S | 22 | 72 | Paris | S | 12 | 54 | Valencia | F | 18 | 64 |
| Budapest | S | 11 | 52 | Las Palmas | S | 25 | 77 | Prague | C | 3 | 37 | Venice | S | 11 | 52 |
| B. Aires | F | 21 | 69 | Lima | F | 21 | 71 | Reykjavik | F | 3 | 37 | Vienna | F | 4 | 39 |
| Cairo | F | 25 | 77 | Lisbon | F | 16 | 61 | Rio de J'o | F | 37 | 99 | Warsaw | S | 11 | 52 |
| Cape Town | S | 20 | 68 | Locarno | C | 12 | 54 | Rome | F | 20 | 68 | Zurich | F | 9 | 48 |
| Caracas | F | 26 | 79 | London | S | 11 | 52 | | | | | | | | |
| Casablanca | R | 17 | 63 | Los Angeles | C | 16 | 61 | | | | | | | | |
| Copenhagen | S | 10 | 52 | Luxembourg | Fg | 4 | 39 | | | | | | | | |
| Corfu | S | 22 | 72 | Madrid | R | 8 | 46 | | | | | | | | |
| Dublin | F | 8 | 46 | Majorca | S | 18 | 65 | | | | | | | | |

*Readings at mid-day yesterday.*

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

# W German private sector plans win support

By Peter Bruce in Bonn

DR GERHARD STOLTENBERG, the West German Finance Minister, appears to have won early support for his plans to inject a modest degree of private capital into eight state-run companies and banks and further to reduce Bonn's minority holding in Volkswagen.

First estimates are that the Government hopes to raise between DM1.5bn ($492m) and DM2bn through the sale of some of its assets before the next election.

A senior parliamentary economics spokesman for the Christian Democrats-Christian Socialists (CDU/CSU) coalition leaders said yesterday that Dr Stoltenberg's plans represented a "courageous *step in the right direction*" and that they were widely supported by CDU/CSU members in parliament.

Support from the Free Democrats (FDP), the junior coalition partners, was also heard at the weekend. The SPD's chief whip told a party meeting in Saarbrücken that the SPD would support privatisation measures proposed by the Government.

It was still not clear yesterday, however, how the powerful Bavarian leader, Herr Franz Josef Strauss, was reacting to the Finance Ministry's proposals.

Herr Strauss has in the past strongly criticised suggestions that the country's national airline, Lufthansa, should be even partly privatised. Lufthansa is on *Dr Stoltenberg's* current list, which is to be discussed by the Cabinet in the next two weeks.

One report yesterday quoted the Bavarian leader, who is on the Lufthansa board and *is also a director* in the European Airbus Industrie consortium – a major Lufthansa *supplier* – as saying Chancellor Helmut Kohl had promised him that the Government's stake in the *airline would not be touched*.

Excluding Volkswagen, in which the Finance Ministry is proposing a cut in the Government's holding from 20 per cent to 14 per cent, the plan, as leaked, involves eight other majority owned businesses, including:

- Lufthansa – where the state's stake would be cut from 79 per cent to 55 per cent through the sale of shares, possibly without voting rights, to protect the Government's overall control.
- Vereinigte Industrie Unternehmungen (VIAG), holding company to, among others, the country's biggest aluminium producer, VAW.
- Deutsche Industrieanlagen (DIAG), a machinery, plant and arms producer, would have its govern*ment holding reduced from 56 per* cent to just over half.
- The IVG, an industrial management group, would stay in government hands initially, but with state equity reduced from around 100 per cent to 75 per cent.

# Call for EEC action on Canadian quota

Continued from Page 1

product to keep supplies diversified and prevent the Scandinavians from dominating the market.

It is the new capacity in the UK, *West Germany and Scandinavia*, whose producers have duty-free access to the EEC, however, which *has led Brussels experts to believe* there will be less need for Canadian imports.

So Canada turned to Gatt in Geneva, under whose auspices the 1.5m tonne annual duty-free quota from non-EEC suppliers has previously been operated, with extra quotas fixed as necessary.

Canadian producers are particularly concerned at growing competition from the Scandinavians this year after the gradual removal of quotas from *European Free Trade* Association (EFTA) members and the sharp depreciation of Scandi*navian currencies* against the Canadian dollar.

# Reagan maintains lead

Continued from Page 1

U.S. economic recovery on track and ease East-West tensions through verifiable arms reduction. He said he thought that Mr Mondale would have done better to chose a Southerner such as Senator Lloyd Bentsen of Texas as his running mate than Ms Ferraro.

The Washington Post/ABC poll suggested that Mr Reagan might win as much as 55 per cent of the womens' vote this year, against less than 50 per cent in 1980. It said that he was getting 60 per cent or more of the male vote.

Mr Reagan appeared to have increased his support, compared with 1980, among Republicans, Democrats and Independants alike, the poll said. He was likely to win about 90 per cent of Republican votes, 65 per cent of Independents, and 29 per cent of Democrats.

His gains appeared to be sharpest among young voters aged 18 to 29 and Catholics, the poll showed. In the major states, Mr Mondale was competitive in only four – Pennsylvania, New York, Massachusetts and Illinois – and was trailing in all of them, it said.

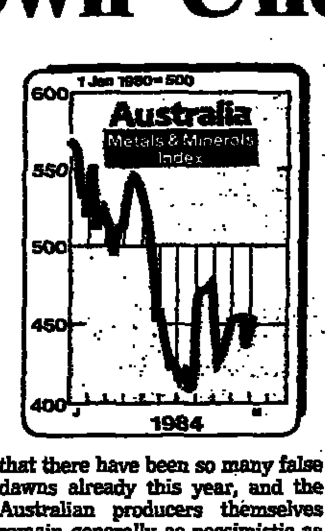
## THE LEX COLUMN

# Testing metals Down Under

The battle for control of Nicholas Kiwi rather stole the show in the Australian equity markets last week, but there was plenty more to observe. Many domestic fund managers can hardly have recovered from their amazement at the prices offered for Kiwi before finding themselves caught up in some of the heaviest institutional buying of metal and mineral stocks for many months.

Hit hard in the first half of the year by local sellers dismayed at the continuing lifelessness of commodity prices, the metals and minerals sector of the market has enjoyed little of the recovery seen in industrial shares since July. But leaders like CRA, Western Mining and MIM were up 8–10 per cent over the week by Friday's close in Australia.

*To some extent, the sharp moves* only reflect a technical feature of the Australian market which is *familiar enough*. Foreign investors have traditionally concentrated their attention on the natural resources stocks and changes in domestic sentiment towards this sector are therefore always liable to have a disproportionate impact in the short term.




that there have been so many false dawns already this year, and the Australian producers themselves remain generally as pessimistic as ever. But at least there is a bit of statistical support for anyone who thinks that this time things really are going to move.

Over the past 20 years, upswings in the manufacturing cycle have led moves in commodity prices by about two years; so the buyers of resource stocks can comfort themselves with the thought that U.S. industrial production started to climb as long ago as November 1982.

The problem in judging the U.S. dollar's influence is more complicated. The false dawns, needless to say, have been just as radiant – though last week's clear warnings from Washington of lower rates and the U.S. dollar's setback against most other currencies were evidently taken by some traders in the Australian market as the clearest signal yet of the approaching day. More to the point, investors in the resources industry will need to be clear about the immediate cause of any decline in the U.S. dollar.

If it should anticipate a marked downturn in U.S. industrial output and *reflect general alarm at the* mismanagement of the U.S. budget and its consequences, then that would *hardly augur well* for commodity prices. A declining U.S. dollar would not necessarily carry a *heavy foreign exchange penalty for* Australian metals producers. The Australian dollar has been one of the strongest currencies in the world against the U.S. dollar throughout the greenback's appreciation, and it can reasonably be expected that the two dollars will keep each other company through any depreciation too – as, indeed, happened on Friday. Nevertheless, a lower U.S. dollar in these circumstances might be little comfort for metals shares.

Of course, if falling U.S. interest rates were to be the reason for a falling dollar, the outlook for metal producers might be more pleasant. Falling interest rates have often given a boost to demand for commodities. Even without an increase in demand, dollar-denominated commodity prices have tended to compensate for falls in the dollar exchange rate – just to preserve their real value.

There is every sign that even the present level of demand has had many Australian producers operating at full capacity, though admittedly they have deliberately cut back in some cases to try to massage the market price. The stimulus of lower interest rates – consolidating real recovery in Europe and encouraging the rebuilding of U.S. and Japanese inventories, especially in zinc, lead and nickel – could have a dramatic effect on this supply/demand equilibrium.

If such restocking were to occur in the coming months, it would be none too soon for the Australian economy. Given some renewed optimism about metals prices and U.S. dollar rates, it is not just the thinness of the available stock in metals and minerals which can explain the sector's sudden popularity. The fact is that few performance-conscious Australian fund managers can really hope to sustain for very much longer the ride they have had on domestic industrial shares over the last four months.

## Short weightings

This looked an important factor last week. International fund managers made a conspicuous commitment to Australia in the early *months of 1984. Most of them will* be regarding it as one of their less inspired judgments, but they seem to have held on to their positions. Domestic investors, on the other hand, appear in many cases to have *ignored the sector altogether*. Very few, anyway, can have started last week with portfolios weighted anything like the 20 per cent needed to match the metals' share of the total market's capitalisation.

This position has perhaps begun to look less comfortable. While this markets doubtless contributed to last week's price movements, some analysts also detected shifts in the market's view of the economic outlook. Since the critical issues – commodity prices and the exchange rate of the U.S. dollar – have both been responsible for one or two errant forecasts this year, few investors will be waiting patiently for an elaborate broker's circular to enlighten them on the prospects. They will take their cue from market prices and these were clearly moving last week.

The problem about interpreting commodity price changes is simply

## Little to lose

In fact, they surely now have very little to lose in making up their under-weighted metals portfolios. If no commodity price recovery emerges, it is hard to be sanguine about *Australia's narrowly based* cyclical upturn since late 1983. The ending of the drought since then has *revitalised the agricultural* economy and the public sector has also picked up strongly. But without *a lead from its traditional export in*dustries like coking coal, iron ore and the rest – which have hardly moved – Australia's economic performance by next spring will look like Hamlet without the prince. That will not do much for industrial equities.

Yet if metal prices revive, the kind of huge losses reported by MIM a couple of weeks ago could prove to be the worst of the resource industry's misfortunes. In that case, the metals and mining index would be sure to set the pace in the Australian stock markets, even if resource stocks never had the benefit of a takeover battle as lucrative as the Nicholas Kiwi affair.



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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday November 5 1984



BONDS

# Borrowers pile into market with spate of warrant issues

BY MAGGIE URRY IN LONDON

DELIRIUM struck the Eurodollar bond market last week as traders caught warrant fever and borrowers piled into the market. Ten of last week's issues, raising a total of $1.25bn, came with warrants, plus one in the Canadian dollar sector.

By Friday, many in the market were condemning the spate of issues as madness. "The logic gets weirder and weirder," said one, while another pointed out that investors could get the currency hedge by buying bond options at a fraction of the price.

Warrants are notoriously volatile. For most of the week they were going up – with Denmark's warrants, issued on Wednesday afternoon, gaining $20 to $60 in one half-hour flurry. On Friday afternoon, they reversed, and Crédit Suisse's warrants, launched on Thursday at $36, tumbled from an unreal level of $57 down to $35. One trader said: "This game is getting dangerous – I've told my traders not to have any warrants on their books."

Even so, four warrant issues appeared on Friday – for Wells Fargo, Nomura Europe, Privatbanken and De Nationale Investeringsbank (the Dutch investment bank) – and Royal Bank of Canada, which had made a successful warrants issue on Monday, decided the market was ripe for an issue of warrants to buy U.S. Treasury bonds. Each warrant, sold between $37 and $40, gives the right to buy $1,000 of the current five-year Treasury bond – 12⅝ per cent 1989 – at 105, during the next three years.

Warrant lives are becoming longer. Denmark broke new ground with a seven-year warrant, only to be overtaken by Privatbanken with a 10-year warrant. A lot can happen in 10 years, both to interest rates and to a borrower, and warrants are becoming harder, rather than easier, to value.

What did go nicely last week were some plain vanilla deals. Helped by the strength of the New York market – which petered out on Friday – IBM was able to borrow cheaper than the U.S. Treasury again and see its bond trading around par by the weekend.

The Sweden tender for $500m of floating rate notes went better than many expected – meaning that they got left out of the winning bids. The result was that Sweden borrowed at a cheaper cost over London interbank offered rate than has been seen in this market before. And the issue was still trading above the average tender price by Friday.

Another first was the appearance by an Australian state in the Eurodollar market – a zero coupon issue from South Australia, likely to find buyers in Japan.

The Japanese bond market saw a cut in the 10-year government bond yield from 7.448 per cent (on a simple basis) in October to 7.055 per cent in November. That encouraged Crédit National into the Samurai market, with a bond yielding only 7 basis points above the Government's. Tomorrow's issue for Bank of China is expected to come on even finer terms.

Meanwhile, non-Japanese borrowers are queueing up to be first into the Euroyen market when it opens to foreigners on December 1. Both Dow Chemical and IBM are rumoured to be on the starting grid.

The D-Mark Eurobond market started the week slowly but picked up as the dollar weakened. Over the week, prices gained around ⅛ point or so. The two new issues fared well, with the Australian issue ending the week at a discount of only ⅜ point to its issue price.

The Swiss franc market is also on the way up, with gains on the week of ¼ to ½ point. On Friday, SBC cut the indicated yield for the Haindl issue from 5⅝ per cent to 5½ per cent. British Land's new 6⅝ per cent 15-year bond started trading at 101½, up from a 100½ issue price.

EURONOTE AND CREDITS

# $1bn of Indian borrowings hang in balance

BY MARGARET HUGHES IN LONDON

ANOTHER rate of refinancings by Italy, combined with concern over future developments in India, have been the major preoccupations of the syndicated loans market in recent days.

There were signs of relief from the lead managers that the $300m credit for India's aluminium company, Nalco, had been virtually put to bed before Wednesday's assassination of Mrs Indira Gandhi, the Prime Minister. But borrowing totalling nearly $1bn planned by India's two airlines and the Oil and Natural Gas Commission now hang in the balance.

On the refinancing front, S. G. Warburg is arranging the renegotiation of the terms of no fewer than three Italian loans, all either for EFIM, the state-owned finance company for the manufacturing industry, or guaranteed by it.

This is independent of the new Ecu 250m deal for the same borrower which Bankers Trust is putting together carrying a margin of ¼ per cent over Eurodollar rates in the first year, rising in two stages to ½ per cent. The lead management group has been expanded to include Mitsubishi Bank, CIBC and Credito Italiano, with others still expected to join.

Warburgs says it has now obtained the approval of all the original agent banks for the loans which it is renegotiating and hopes to keep the majority of the original participant banks in the new deals. This "philosophy," it argues, is reflected in the new pricings. All three deals will now include a multicurrency option enabling the borrower to raise funds in Ecu or sterling, as well as dollars.

Final maturity is September 18 1989. The margin will be reduced to ½ per cent over Eurodollar rates on the next roll-over date next March. The margin on the original loan was ⅝ per cent for the first six years rising to ⅞ per cent thereafter. Banks will receive a flat renegotiation fee of ⅛ per cent.

The other two renegotiations are for SAFIM, guaranteed by EFIM. The larger, for $135m is a five-year loan signed in September 1981 with Long Term Credit Bank of Japan as agent. The margin on this loan is being reduced from ⅝ per cent over Eurodollar rates to ⅜ per cent with effect from January 30 1985. There will be a flat renegotiation fee of 1/16 per cent.

The second SAFIM loan for £100m was signed in March 1980, for which Banque Paribas was agent. The margin on this eight-year loan is being cut from the present ⅞ per cent above Eurodollar rates to ⅜ per cent for the first two years, from the effective renegotiation date of March 27 1985, rising to ½ per cent thereafter. The flat renegotiation fee on this deal will be 10 basis points.

In the Euronotes market, Citicorp is understood to be arranging a $75m issue for another Italian borrower – tyres and cables manufacturer Pirelli. Pricing is expected to be 10 basis points above Libor (London Interbank Offered Rate) with banks getting an underwriting fee of 1/16 per cent.

Merrill Lynch, meanwhile, is handling a revolving underwriting facility (RUF) for Electrolux of Sweden, also believed to be for the same amount. A few days ago, another $75m Euronote issue was announced for one of the big Saudi Arabian trading companies, Ahmad Hamad Algosaibi, with Lloyds Bank International and Banque Indosuez as joint lead managers.

Meanwhile, the combined Euronote facility and back-up revolving credit for BAT Industries was oversubscribed, despite the absence of any underwriting fees. Commitments from invited banks totalled $385m which have been cut back to the $300m required by BAT to cover its U.S. commercial paper programme. Nineteen banks participated from the UK, France, West Germany, Canada, Japan and the U.S.

Elsewhere, Arab Banking Corporation (ABC) has been busy putting severel deals together. It has co-ordinated the offer submitted by 10 banks to Algeria for a $500m credit with an eight-year term and five years' grace. Negotiations with the Algerians are expected to centre on how much of the deal can be done at a margin of ⅜ with the rest at ½ per cent above Eurodollar rates.

ABC is putting together a group of lead managers for a negotiable floating rate certificates of deposit facility for Moscow Narodny Bank. By the end of the week, 11 banks were participating, including Bank of China. The amount is likely to be $30m with a margin of 3/16 per cent over Libor.

Invitations have been sent out by ABC to a small group of Tunisia's relationship banks for a club deal of $50m to finance its share of the capital in the newly created Banque Tuniso-Koweitienne de Développement. This eight-year loan, guaranteed by Tunisia, is understood to carry a margin of ½ per cent over the first five years rising to ⅝ per cent above Eurodollar rates thereafter, with a front end fee of ⅜ per cent.

## NEW INTERNATIONAL BOND ISSUES

| Borrowers | Amount m. | Maturity | Av. life years | Coupon % | Price | Lead Manager | Offer yield % |
|---|---|---|---|---|---|---|---|
| **U.S. DOLLARS** | | | | | | | |
| Hazama-Gumi ¶ ‡ | 50 | 1989 | 5 | 9¼ | 100 | Yamaichi Int., Bqe Paribas, Dai-Ichi Kangyo Int., KBC, Mgn. Stanley | 9.250 |
| Viacom Int. § | 50 | 1999 | 15 | (7½-8) | 100 | Smith Barney, CSFB | * |
| Sweden †(e)‡ | 500 | 1999 | 15 | (e) | 99.28av. | (Tender sale) | – |
| SNCB †(b)‡ | 75 | 1991 | 7 | ⅛ | 100 | Soc.Gen.de Banque, BBL, Kredietbank | – |
| Royal Bank of Canada ∅‡ | 100 | 1992 | 7 | 12¾ | 100 | Orion Royal Bk, Mgn. Stanley, Chemical Bk | 12.750 |
| Den norske Creditbk ∅‡ | 75 | 1991 | 7 | 12¾ | 100¼ | Mgn. Guaranty, Bankers Trust, Nordic Bk | 12.694 |
| New Zealand ††‡ | 500 | 1994 | – | (d) | 100 | Kidder Peabody | – |
| Japan Dev. Bank ††‡ | 100 | 1991 | 7 | 11⅝ | 99.807 | First Boston | 11.667 |
| Chesebrough-Ponds ‡ | 100 | 1993 | 8¼ | 12 | 99⅜ | Lehman Bros. | 12.098 |
| Bank of Tokyo ∅‡ | 100 | 1992 | 7 | 12⅝ | 100 | CSFB, BoT Int., Mgn. Guaranty, Mgn. Stanley, S.G. Warburg | 12.625 |
| Commerzbank †(c)∅‡ | 150 | 1989 | 5 | ⅛ | 100 | Commerzbank, Mgn. Guaranty, BoA Int., Bankers Trust, Cr. Lyonnais | – |
| IBM ‡ | 100 | 1989 | 5 | 11 | 99¼ | CSFB, Mgn. Guaranty, Salomon, SBCI, UBS (Secs) | 11.204 |
| Denmark ∅‡ | 250 | 1992 | 7 | 12¾ | 100⅛ | Mgn. Stanley, First Interstate, Citicorp, BoA Int. | 12.694 |
| Finland ‡ | 75 | 1994 | 10 | 12¼ | 99½ | Deutsche Bank | 12.340 |
| Star Manfcting § | 50 | 2000 | 16 | (3½) | * | Daiwa (Europe) | * |
| Kimberly-Clark ‡ | 100 | 1994 | 10 | 12 | 100 | Goldman Sachs, Mgn. Stanley, Salomon | 12.000 |
| Credit Suisse Fin. ∅‡ | 100 | 1992 | 7 | 11¾ | 100 | CSFB | 11.750 |
| Privatbanken ∅‡ | 100 | 1995 | 10 | 12¾ | 106¼ | Man. Hanover | 11.659 |
| Wells Fargo ∅‡ | 100 | 1991 | 7 | 12⅝ | 100 | CSFB | 12.625 |
| De Nat. Investeringsbk ∅‡ | 50 | 1989 | 5 | 12 | 100 | ABN, SBCI (books), BoA Int. | 12.000 |
| Nomura Europe ∅‡ | 100 | 1991 | 7 | 12⅛ | 100 | Nomura Int., CSFB | 12.125 |
| South Australia ‡ | 95 | 1994 | 10 | 0 | 32.5 | Nomura Int., Dai-Ichi Kangyo, Kidder Peabody | 11.890 |
| **CANADIAN DOLLARS** | | | | | | | |
| Trans-Canada Pipe ∅‡ | 75 | 1989 | 5 | 12⅝ | 100 | Wood Gundy, Hambros, UBS (Secs) | 12.625 |
| **NEW ZEALAND DOLLARS** | | | | | | | |
| Woolworth NZ ‡ | 25 | 1991 | 7 | 16¼ | 100 | Bque Gutzwiller K.B., Daiwa (Eur), Hambros, Neder. Creditbk, Nippon Kangyo Kakumaru | 16.250 |
| **D-MARKS** | | | | | | | |
| Australia ‡ | 600 | 1996 | 12 | 7¼ | 99½ | Deutsche Bank | 7.314 |
| S.A. Transport ‡ | 100 | 1992 | 8 | 7⅝ | 99½ | Deutsche Bank | 7.711 |
| **SWISS FRANCS** | | | | | | | |
| Itoham Food** §‡ | 30 | 1990 | – | 2½ | 100 | SBC | 2.500 |
| Council of Eur.Rest.Fd ‡ | 120 | 1992 | – | 6 | 100 | Banca del Gottardo | 6.000 |
| Toyama Chemical ** § | 50 | 1989 | – | (2⅝) | 100 | CS | * |
| African Dev. Bank ‡ | 100 | 1994 | – | 6¼ | 100 | CS | 6.250 |
| Haindl Finance ‡ | 50 | 1994 | – | 5½ | 100 | SBC | 5.500 |
| **GUILDERS** | | | | | | | |
| Neder. Middenstandsbk ‡ | 125 | 1989 | 5 | 7½ | 98½ | Neder. Middenstandsbk. | 7.624 |
| **YEN** | | | | | | | |
| IADB ‡ | 30bn | 1996 | 10.32 | 7.2 | 99¾ | Nomura Secs. | 7.232 |
| Credit National ‡ | 30bn | 1994 | 3.5 | 7.1 | 99.85 | Nomura Secs. | 7.121 |

* Not yet priced. ‡ Final terms. ** Private Placement. § Convertible. † Floating-rate note. ¶ With debt warrants. ∅ With equity warrants. (a) ¼ over 6-month Libor. (b) ⅛ over 6-month Libor. (c) ⅛ over 6-month Limean. (d) Extendible; first 3-months 50 basis points over weekly 91-day T-Bills. (e) 6-month Libid. ‖ Registered with U.S. Sec. Note: Yields are calculated on AIBD basis.

# INTERNATIONAL CAPITAL MARKETS

## U.S. MONEY AND CREDIT

# An action-packed week in prospect

THE FEDERAL RESERVE Board's policy making Federal Open Market Committee (FOMC) meets on Wednesday, the day after the U.S. presidential elections.

The election, uncertainty surrounding the FOMC meeting and the $17.5bn quarterly Treasury refunding which kicks off today with the auction of $6.5bn of three-year notes, promise an action-packed if nervous trading week.

Last week the credit markets posted further gains while short-term rates continued to tumble prompting a sell-off in the dollar. Senior administration officials, including Mr Donald Regan, the Treasury Secretary, launched a pre-election attack on the Fed urging a further easing and highlighting the recent slowdown in economic and monetary growth.

The Fed meanwhile has carefully avoided entering the political fray. It could be argued that it has been actually leaning against the strong market-driven downward drift in interest rates in the past few weks.

When the FOMC meets on Wednesday it will be free of the political restraints posed by the election campaign and its desire to be seen to remain neutral. Instead the FOMC will be able to focus on fundamental factors.

The growth of money supply, particularly M1, faltered in October. The unexpectedly big $2.5bn decline in M1 reported last week highlighted the slow growth of the basic money supply measure in recent months. In fact the level of M1 is little different from the level at the end of June and is just $1.6bn above the Fed's lower target limit and almost $17.9bn below the top end of the band.

Meanwhile economic growth has slowed markedly. "The extent of the slowing in economic activity in the second half of 1984, following the first half surge, seems considerably greater than originally expected," says Mr David Jones of Aubrey Lanston, "without a countering move, the threat might be that the desired 'soft landing' in real economic activity—to a sustained non-inflationary pace of say 3 to 4 per cent—might instead turn into a 'hard landing'."

Against this backdrop Wall Street's senior economists believe the FOMC will adopt a policy with a slight bias towards [illegible] the fundamental economic and financial backdrop suggests that at next Wednesday's meeting of the FOMC the authorities will formulate a strategy that will validate the current interest rate strucure," says Dr Henry Kaufman of Salomon Brohers. "At the least that will mean that the Fed will have to move promptly and aggressively to satisfy a very large seasonal need for reserves by the banking system in November. More importantly, this would imply that the Federal funds rate will have to decline into the 9.25 to 9.50 per cent range during the inter-meeting period."

While the election itself could spring a surprise and cause market volatility—the Fed and the government markets will be closed tomorrow—the refunding is the other major challenge facing traders and investors.

The three-year notes to be auctioned today were offered on a "when-issued" basis at 11.09 per cent late on Friday, the $5.75bn of 10-year notes for sale on Wednesday were offered at 11.61 per cent and the $5.25bn of new 30-year Treasury long bonds for auction on Thursday were offered at 11.49 per cent.

Last week, despite a slight hiccough on Friday morning after the steady unemployment number was published, virtually all sectors of the U.S. money and credit markets posted gains. Three-month Treasury bill rates dropped below the 9.00 per cent level for the first time since the start of the year while most other short-term rates fell by 30 to 40 basis points.

Government bond prices posted net gains on the week of between one and two full points with the Treasury long bond leading the way gaining two points to close at 108 to yield 11.54 per cent. In the corporate markets prices rose by one full point on medium term issues and 1½ points on long bonds. Most new issue rates fell by between 25 and 40 basis points. The flood of new corporate issues which pushed the October total to a record of $8.2bn, continued with over $2.2bn in new issues brought to market last week.

Among a slew of new offerings Chrysler Financial sold $200m of 5-year 12.75 per cent notes at 99.434 to yield 12.85 per cent, Indianapolis Power and Light and Louisiana Power and Light both tapped the market with $70m and $25m of fixed mortgage bonds respectively.

Squibb and Valley National Bank both sold $50m issues of three-year extendable notes to yield 11.5 per cent and 11.92 per cent respectively while Fleet Financial sold $50m of 11.75 per cent 10-year paper at par.

**Paul Taylor**

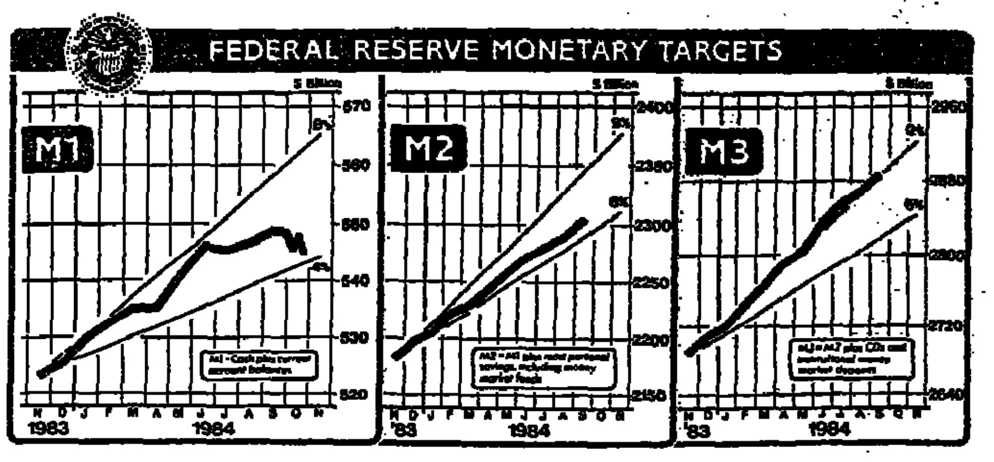
### U.S. MONEY MARKET RATES (%)

| | Last Friday | 1 week ago | 4 wks ago | —12 month— High | Low |
|---|---|---|---|---|---|
| Fed Funds (weekly average) | 10.12 | 9.10 | 10.90 | 11.77 | 9.11 |
| Three-month Treasury bills | 8.97 | 9.35 | 10.13 | 10.77 | 8.48 |
| Six-month Treasury bills | 9.21 | 9.59 | 10.24 | 10.83 | 8.71 |
| Three-month prime CDs | 9.60 | 9.90 | 10.85 | 11.90 | 9.30 |
| 30-day Commercial Paper | 9.45 | 9.25 | 10.60 | 11.39 | 9.00 |
| 90-day Commercial Paper | 9.40 | 9.45 | 10.55 | 11.40 | 8.88 |

### U.S. BOND PRICES AND YIELDS (%)

| | Last Friday | Change on week | Yield | 1 week ago | 4 wks ago |
|---|---|---|---|---|---|
| Seven-year Treasury | 103¾ | + 2 | 11.57 | 11.92 | (new) |
| 20-year Treasury | 100 | + 1⅞ | 11.54 | 11.85 | (new) |
| 30-year Treasury | 108 | + 2 | 11.54 | 11.77 | 12.21 |
| New 10-year "A" Financial | — | + 1½ | 12.38 | 12.65 | 13.15 |
| New "AA" Long utility | — | + 1⅞ | 12.50 | 12.76 | 13.50 |
| New "AA" Long industrial | — | + 2⅞ | 12.25 | 12.63 | 13.20 |

Source: Salomon Bros (estimates).
Money Supply: In the week ended October 22 M1 fell by $2.5bn to $544.7bn.




## UK GILTS

# Base rate hopes boost buying

THE MINERS' strike may look as insoluble as ever but that did nothing to dampen the enthusiasm in the gilts market last week as U.S. interest rates and the dollar tumbled.

By Friday the market had convinced itself that tomorrow's money supply figures for October will trigger a ½ point cut in base lending rates, and it hardly blinked when the Bank of England announced a £1bn tap stock.

The fact that the tender sale of the 9¾ per cent Exchequer 1998 stock is on Wednesday morning also persuaded many brokers that the Bank shares their confidence that the figures will be good.

The tap stock, priced at a minimum £93.50 and yielding 10.67 per cent to redemption, marks the first time that the authorities have felt sure enough to offer such a large issue since early August. It should be said, however, that there were one or two in the market who thought the Bank might have decided on a large issue to stop the market getting carried away.

The tap stock issue followed the sell-out early in the week of the £600m worth of existing stock in four tranches which many had thought would be the last offering ahead of the flotation of British Telecom.

Underpinning the market's optimism was the strong rally in the U.S. bond market and sterling's substantial gains against a weakening dollar.

That allowed brokers to shrug off the renewed breakdown in the miners' talks and the Chancellor's announcement that public borrowing—and hence funding—will probably overshoot its target by £1½bn this year.

The brokers reported strong demand for stocks from both domestic and overseas investors. Buying took gains at the long end of the market to more than 3 points over the week.

And as the miners' strike drifted into the background, a spate of brokers' circulars almost unanimously forecast a strong performance for gilts over the short term.

"With institutional liquidity still high, the signals for a limited rally are clear," Hoare Govett commented.

Capel-Cure Myers said declining worries over oil prices and the miners' strike, steady inflation, and the Government's anxiety to reduce interest rates, all pointed to a buoyant gilts market.

The immediate prospects, however, depend on tomorrow's figures. Brokers' forecasts for the growth in sterling M3 in October range from ¼ to 1 per cent, but many are clustered at the lower end of that range.

Robert Thomas of W. Greenwell, for example, is predicting a rise in the key measure of only 0.3 per cent, which would push it well below the top of its 6 to 10 per cent annual target range.

"Unless we are dramatically wrong base rates will probably be lower by the end of next week," he commented.

At Rowe and Pitman, Ian Harwood also forecast that the measure's growth rates would be between ½ and ¾ per cent, allowing the authorities to nudge down rates ahead of the Telecom issue.

But he warned against the expectation of a major bull market in gilts as long as the miners' strike and lingering doubts over inflation remain in the background.

Brokers also acknowledge that past predictions of the money supply numbers have frequently proved hopelessly wrong.

This month estimating the figure for bank lending has been complicated by the new VAT rules on imports, which may have prompted additional company borrowing, and by possible "round-tripping."

The Bank of England, as usual, has kept its cards close to its chest and unless it moves unexpectedly today, the market will have to wait until 2.30 pm tomorrow to see if last week's enthusiasm was justified.

**Philip Stephens**

### EUROBOND TURNOVER
(nominal value in $m)

| | Cedel | Euroclear |
|---|---|---|
| U.S. $ bonds | | |
| Last week | 12,004.4 | 29,946.2 |
| Previous week | 8,621.2 | 18,849.2 |
| Other bonds | | |
| Last week | 1,991.9 | 2,491.3 |
| Previous week | 1,837.3 | 1,627.2 |



## FT/AIBD INTERNATIONAL BOND SERVICE

| YEN STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| World Bank 7 94 | 20 | 98½ | +0⅛ | 7.21 |
| New Zealand 7⅛ 90 | 15 | 99¾ | +0⅜ | 7.18 |
| Asian Dev. Bk. 7½ 94 | 15 | 100⅜ | +0⅜ | 7.27 |
| World Bank 7⅝ 93 20 | 20 | 101⅞ | +0¼ | 7.33 |
| IADB 7⅞ 93 | 15 | 102½ | +0⅜ | 7.48 |

| U.S. DOLLAR STRAIGHTS | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| Sears O/S Fin. 98 | 500 | 22 | +0⅜ | 11.69 |
| General Elec. 96 | 600 | 27½ | +0½ | 11.68 |
| Int. Stand. Elec. 97 | 112 | 22⅞ | +0⅜ | 12.67 |
| Eli Lilly O/S 7 94 | 67 | 0 | | |
| Sears O/S Fin. 7 93 | 75 | 0 | | |
| Baxter Trav. 7 91 | 75 | 0 | | |
| Gen. Motors Acc. 7 91 | 54 | 0 | | |
| Vebs 8 93 | 70 | 112½ | +0½ | 6.14 |
| West LB 11⅞ 90 | 100 | 97⅜ | +1⅜ | 12.53 |
| EEC 12 93 | 50 | 95¾ | +0⅜ | 12.80 |
| EEC 12⅝ 98 | 50 | 0 | | |
| IABD 12¾ 06 | 200 | 99¾ | 0 | 12.66 |
| Gen. Motors Ac. 12⅜ 86 | 200 | 100¾ | 0 | 12.06 |
| Metro. Tokyo 12⅞ 94 | 50 | 104½ | +1¼ | 12.04 |
| Gen. Motors Acc 13 86 | 200 | 100⅞ | −0⅛ | 12.27 |
| Tokyo Electric 13⅛ 89 | 100 | 103⅝ | +0⅞ | 12.28 |
| Texaco Capital 13½ 89 | 200 | 104⅛ | +1 | 12.26 |
| Nippon Yusen 13½ 89 | 50 | 0 | | |
| Statoil 13½ 89 | 100 | 105⅜ | +1½ | 11.91 |
| Bk. Nv. Scotia 13⅝ 87 | 100 | 102¾ | +1⅜ | 12.29 |
| All Nippon Air 14 94 | 100 | 108¼ | +0⅞ | 12.46 |
| Citicorp O/S 14 94 | 100 | 101⅝ | −0⅛ | 13.65 |
| Prudential 10⅝ 93 | 150 | 94½ | −1 | 11.10 |
| Standard Chart. 11½ 94 | 200 | 100 | 0 | 11.48 |
| Denmark 11½ 93 | 100 | 100 | 0 | 11.49 |
| Citicorp O/S 11½ 88 | 100 | 95½ | +1⅜ | 12.97 |
| Euro. Inv. Bk. 11½ 90 | 200 | 97⅜ | +1⅜ | 12.18 |
| IC Industries 11⅞ 98 | 75 | 97¼ | +0⅜ | 12.28 |
| Bank of Tokyo 11⅞ 90 | 100 | 97⅞ | +1½ | 12.37 |
| Sec. Pacific 11⅝ 88 | 100 | 98¼ | +1⅜ | 12.29 |
| EBCO Intl. 12 91 | 50 | 90½ | 0 | 14.28 |
| Taiyo Kobe 12 90 | 100 | 97⅜ | +1 | 12.56 |
| Denmark 12¼ 93 | 100 | 98¼ | +1⅞ | 12.57 |
| Mount Isa Fin. 13⅜ 87 | 100 | 103⅜ | +1⅞ | 11.97 |
| Bank of Tokyo 13⅝ 91 | 100 | 104½ | +0⅝ | 12.55 |
| Post Och Kred. 13½ 87 | 50 | 101⅜ | +0⅞ | 12.64 |
| [illegible] | | | | |
| Gulf & Western 12⅞ 89 | 100 | 95½ | +1⅛ | 12.40 |
| Dutch St Mines 11⅝ 91 | 150 | 96⅝ | +0⅝ | 11.97 |
| Ned Gasunie 11⅝ 91 | 75 | 97⅞ | +1⅜ | 12.11 |
| Indt. Bk. Japan 11½ 89 | 125 | 102⅛ | +5⅛ | 5.64 |
| Minebea 6⅞ 89 | 100 | 0 | | |
| Commerzbank 11⅝ 89 | 100 | 97⅜ | +2⅛ | 12.21 |
| AHFC O/S Fin. 11⅝ 94 | 100 | 97⅞ | +1½ | 11.99 |
| Ontario Hydro 11⅝ 94 | 200 | 93½ | 0 | 13.69 |
| Norwest O'seas 12⅛ 91 | 50 | 97½ | +1⅜ | 12.51 |
| Sec. Pacific 12 92 | 100 | 0 | | |
| Aegon Insur. 11⅞ 91 | 60 | 97⅞ | +2 | 12.36 |
| Aegon Insur. 11⅞ 91 | 50 | 98⅛ | +0⅝ | 12.05 |
| Nova Scotia 11⅝ 91 | 100 | 98 | +1 | 11.97 |
| Int. Bk. Rc. Dv. 11⅞ 89 | 200 | 96⅜ | +0½ | 12.10 |
| AIDC 11 89 | 75 | 97⅝ | +1 | 11.98 |
| EDC 11⅛ 89 | 160 | 89⅛ | 91 | 9.64 |

| OTHER STRAIGHTS (D-MARK, SWISS FRANC, LUXF, GUILDER, ECU, CANADIAN DOLLAR, AUSTRALIAN DOLLAR, STERLING) | Issued | Price | Chg. on week | Yield |
|---|---|---|---|---|
| [illegible] | | | | |

| FLOATING RATE NOTES | Issued | Price | Chg. on week | C.cpn |
|---|---|---|---|---|
| [illegible] | | | | |
| Denmark ⅛ 90 | | 100½ | +0⅛ | 11⅛ |
| Credit Foncier ⅛ 93 | 600 | 100⅛ | +0⅛ | 12 |
| Dresdner Bank ⅛ 93 | 400 | 100⅝ | −0⅛ | 11⅞ |
| Banco Hispano ⅛ 95 | 100 | 99⅝ | +0⅛ | 11⅛ |
| Renfe ⅛ 91 | 100 | 100½ | +0⅛ | 12⅛ |
| Queensld Coal ⅛ 85 | 48 | 100⅛ | −0⅛ | 11⅛ |
| Nat West Fin ⅛ | 365 | 100⅛ | 0 | 12⅞ |
| Bankers Tst NY ⅛ 96 | 200 | 100⅛ | 0 | 12⅛ |
| Queensld Coal ⅛ 96 | 358 | 100⅛ | +0⅛ | 11⅝ |
| Vizcaya Intl ⅛ 96 | 75 | 100 | +0⅛ | 10⅛ |
| Gotabanken ⅛ 94 | 50 | 99½ | +0⅛ | 12⅛ |
| Interfirst Tex ⅛ 89 | 100 | 95 | −0⅛ | 12⅛ |
| Bank Montreal ⅛ 96 | 250 | 100⅛ | 0 | 10⅛ |
| Bank of Greece ⅛ 94 | 150 | 98 | −0⅛ | 11⅛ |
| N.S. Finance ⅛ 88 | 5 | 0 | | |
| Isvemimer ⅛ 90 | 70 | 0 | | |
| N.S. Finance ⅛ 88 | 5 | 0 | | |

| CONVERTIBLE BONDS | Issued | Price | Chg. on week | Prem. |
|---|---|---|---|---|
| [illegible] | | | | |

| EQUITY WARRANTS / BOND WARRANTS | Expiry date | Price | Chg. on week | Prem. / Ex. yield |
|---|---|---|---|---|
| [illegible] | | | | |
| McDonalds F 11⅛ 94 | 5/1/89 | 27½ | +⅞ | 6.98 |
| Morgan J.P. 10⅝ 90 | 16/8/87 | 16½ | +1½ | 8.42 |
| Nordic Inv Bk 11 90 | 15/11/87 | 16 | +⅞ | 9.61 |
| Penney J.C. 10⅞ 90 | 15/10/87 | 15½ | +1⅛ | 7.37 |
| Post-O Kred 11⅛ 90 | 15/11/87 | 13 | −2⅛ | 9.05 |
| Ryl B Scot 11½ 93 | 15/11/88 | 22½ | +3⅛ | 8.43 |
| Sears O/S Fin 8 90 | 14/6/88 | 0 | | |
| Std Chart 11½ 94 | 6/1/86 | 0⅜ | −⅜ | 11.39 |
| Texaco 10½ 93 | 15/11/87 | 14⅞ | −1½ | 9.06 |
| Weyerhaeuser 11 90 | 15/11/87 | 12¾ | −3⅛ | 8.89 |
| Xerox 13½ 87 | 15/8/85 | 23½ | +⅞ | 3.14 |
| Inv In Inds 10½ 91 | 1/12/88 | 69... | +4... | 1.39 |
| Creditanstalt 14 91 | 31/7/89 | 83½ | +1 | 3.57 |
| Denmark 11½ 93 | 15/12/89 | 23 | −13⅞ | 7.86 |
| Eksportfinas 13⅞ 88 | 15/9/87 | 49⅛ | −1⅞ | 2.19 |
| Oester Lnbk 13½ 89 | 9/8/87 | 50⅛ | +⅞ | 2.41 |

*Closing prices on November 2*

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.
FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=current coupon.
CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

# INTERNATIONAL CAPITAL MARKETS AND COMPANIES

CORPORATE FINANCE

## Transformed ENI looks to Eurocredit terms

ONLY A YEAR and a half ago ENI, the Italian state energy company, was in a dismal state. It had had six chairmen in five years, was losing about a billion dollars a year and was disfigured by gross political interference and immense financial scandals.

Now, however, ENI officials almost daily receive bankers offering it ever cheaper finance. It has shocked the international banking community by talking openly of refinancing a Eurocredit less than seven months after it was agreed — yet may well get away with it. It hopes to break even in 1984, having as late as February this year forecasting no profit before 1986.

Last year ENI lost L1,369bn ($747m) on net sales of L38,000bn. If that loss is obliterated this year it will be due in roughly equal measure to three things: Higher returns from the energy and energy services core of the business, thanks mainly to the economic recovery (even though ENI continues to lose money on selling petroleum products); a slightly less disastrous performance by the sectors in crisis such as chemicals and mining; and dramatic improvements in financial management.

The shake-up in the way ENI's finances are run is the most striking element in the corporation's recovery since it came under the stern direction of Professor Franco Reviglio early in 1983—and fortunately it is the one most easily understood by foreign bankers. Professor Reviglio brought in only two new men, Sig Mario Gabrielli and Sig Siro Bassani

The first task of the new financial managers was to impose on the organisation a system of financial reporting and control which is normal to most large corporations—but which was unkownn at ENI.

They were also expected to tackle the company's debt which had doubled in about two years to L19,000bn at the end of 1982.

The two men found that ENI's debt was badly structured—in particular it had $2.5bn of exposure that was not matched by dollar investments, at a time when the dollar was rapidly appreciating against the Lira. Indeed, half of the 1983 loss was due to provisions for foreign exchange losses. That dollar exposure has now been reduced to less than half its previous level.

First ENI last autumn borrowed a record L1,000bn from a consortium of Italian banks. Then it looked round for a medium that would combine lower interest than the 19 per cent which prime borrowers pay in Italy with currency stability against the Lira. Earlier this year it arranged a Eurocredit for Ecu 450m, again the biggest ever, on which it is paying about 9 per cent including a split margin of ½ to ⅝ percentage points.

These moves have already saved ENI L250bn this year and the group has been able to cut its debt by L740bn in six months to L17,650bn at the end of June.

Sig Gabbrielli and Sig Bassani are now in a strong position when they face potential lenders. Interest margins have declined in the past few months and bankers starved of outlets for their funds in most of the Third World, are eager to lend to Italy. ENI's margin of self-financing improved by 66 per cent in the first half of this year—enough to enable the company to claim to be a different corporation from what it was six months ago when it arranged the Eurocredit.

ENI is determined to refinance it—some bankers think it could get away with a margin as low as ⅜ points over eight years in the European market. But ENI is not thinking of a crude reduction in margins, though it is determined to cut the cost of the borrowing when the present interest period expires.

**James Buxton**

## Cigna back to profit in third quarter

By Our New York Staff

CIGNA, the big U.S. insurer formed from the 1982 merger of Connecticut General and INA Corporation, has returned to profit after two quarters of losses which prompted speculation that it might be forced to cut its dividend.

Cigna reported consolidated operating net income of $37.2m or 37 cents a share in the third quarter. This was down sharply from the $125.6m or $1.65 last year, but contrasts with a loss of $34.8m in the first half of 1984.

Mr Robert Kilpatrick, the chairman, said the group continued to be hit by problems in the property and casualty insurance business but he was "moderately encouraged" by the steps taken throughout the year to improve Cigna's own performance in this area.

Final net income for the nine months is down from $392.7m or $5.16 a share to $48.1m o4r 37 cents. The latest figures include investment gains of $45.7m against $103.4m last time.

At the end of the third quarter Cigna's assets were $38.3bn, $3.3m higher than at the end of 1983, but shareholders' funds were $300m down at $4.6bn.

## Tengelmann in Dutch bid talks

TENGELMANN, the major West German food retail chain, is negotiating to take a majority interest in Hermans Groep, the Netherland's fourth largest food retailer, AP-DJ reports from Bonn. The acquisition is aimed at consolidating the company's international activities.

With consolidated annual sales of more than DM 20bn ($6.7bn) Tengelmann already holds a controlling stake in Great Atlantic and Pacific Tea (A and P), a major U.S. food retailer.

Hermans, with 106 supermarkets and 431 liquor stores, had sales last year of Fl 850m ($249m).

INTERNATIONAL APPOINTMENTS

## FCA loses chief financial officer

BY WILLIAM HALL IN NEW YORK

FINANCIAL CORPORATION of America (FCA), parent of the biggest U.S. savings and loan association which is recovering from a severe run on its deposits earlier this year, has lost its finance chief.

Mr John Darr, who took over as chief financial officer in June, has resigned and FCA has not announced a replacement. Mr Darr is the latest in a number of senior executives to quit FCA since it ran into difficulties earlier this year. Mr William Popejoy, the new chief executive, said that he had accepted Mr Darr's resignation with deep regret.

Since August, when he was brought in to replace Mr Charles Knapp, the architect of FCA's rapid growth, Mr Popejoy has hired new auditors, substantially restructured the board, and indicated that he intends FCA to be a much more conservative institution.

Last month, FCA announced that it had earned $1.23m in its third quarter, compared with a $107.2m loss in the second quarter, which had precipitated the loss of confidence and subsequent run on its deposits.

The group lost $6.8bn of deposits in August and September, but by the end of the quarter the outflow had been halted. Mr Popejoy said last month that he did not know of any financial institution "that had the strength to withstand a savings outflow of the size we experienced and still avoid a government takeover."

## President for SE Banken New York subsidiary

BY DONALD MACLEAN

Mr Bo Rassmuson has been appointed president and chief executive of SKANDINAVISKA ENSKILDA BANKEN CORPORATION, the New York subsidiary of the biggest Nordic region bank.

Mr Rassmuson said last night that the move was in line with the group's policy of following Swedish trade abroad, both in the U.S. and in the Nordic region itself, as well as with its involvement in the financing of Swedish foreign capital investments.

The group handles over half of Sweden's foreign exchange payments, and claims 13th ranking in the world in foreign exchange trading.

The U.S. company increased its consolidated assets in 1983 by 32 per cent to $462m, compared with the $20bn of the group as a whole, and also moved to larger premises. At the same time, it roughly tripled loans made mainly to provide working capital for Swedish companies to $125m.

Mr Rassmuson, 45, worked with Atlas Copco, the Swedish group, and then with the World Bank, before joining SE Banken, becoming senior vice-president for international regional management.

Mr Michael Jeffery, 37, becomes executive vice-president, and deputy to Mr Rassmuson.

## Chairman at Time pay TV unit

Mr Michael J. Fuchs has been appointed chairman and chief executive of HOME BOX OFFICE, the pay television subsidiary of the Time Inc U.S. publishing group. He succeeds Mr Frank J. Biondi, who has left the company because of policy differences with the management of Time.

● VARIAN ASSOCIATES has named Mr Jerome J. Meyer as its president and chief operating officer, a newly created post. Mr Meyer is group vice-president, systems group, at Honeywell Information Systems. The addition of Mr Meyer is in line with Varian's long range plan to permit the chairman, Mr Thomas Sege, to focus greater attention on longer term strategic issues associated with development and external affairs.

## Social costs hit Valeo in first half

By Our Financial Staff

VALEO, the leading French motor components group, has suffered a severe fall in first half profits due mainly to exceptional "social costs".

Consolidated net profits plummeted from FFr 72m to FFr 3m, while turnover rose 11.5 per cent to FFr 5.68bn.

Earlier this year Valeo took full control of Ducellier, the loss-making French motor components group which it jointly owned with Lucas Industries of the UK. In July Valeo said it wanted to lay off 970 Ducellier employees, although this has now been reduced to 480.

## NZ News lifts offer for NZPA

BY DAI HAYWARD IN WELLINGTON

NZ NEWS, the New Zealand newspaper and magazine group in which Mr Ron Brierley's Brierley Investments holds a 40 per cent stake, has increased its offer for NZ Press Association and now values the national news agency at NZ $37.5m (U.S.$18.2m) against NZ$33m in the original offer.

NZPA, which is jointly owned by a group of 17 leading New Zealand newspaper publishing companies, owns 10,000 shares in Reuters, a major attraction for the bidders.

NZ News is already the largest single shareholder in NZPA, with 26.9 per cent.

Other major newspaper groups are strongly resisting the bid. Although the distribution of news to newspaper shareholders is now handled by a separate company, NZPA Services, executives have been told that if the bid succeeds NZPA will lose its right to have representatives at board level in the Reuters news organisations in London and Australia.

NZ News made its increased offer when announcing a 56 per cent jump in operating profits to NZ$3.4m for the 24 weeks to September 15. After allowing for various extraordinary items, including a NZ$1.7m distribution by NZPA from Reuters, net earnings were NZ$4.6m, compared with NZ $1.7m last year.

Other leading New Zealand publishing and newspaper groups have also reported big profit increases for the six-month period.

For example, Wilson and Horton, publishers of the country's largest daily newspaper, the NZ Herald, reported a NZ$1.9m jump in profits to NZ$4.5m and Christchurch Press Company, which publishes the largest morning newspaper in South Island, lifted net profits by 80 per cent to NZ$902,387.

In addition Christchurch Press received NZ$726,914 from the NZPA distribution of Reuters' earnings and Wilson and Horton received NZ$1.5m.

## Morgan arm raises terms for AUC

By Our Financial Staff

J. P. Morgan Overseas Capital, a unit of Morgan Guaranty Trust Company of New York, has lifted its bid for AUC Holdings, the Australian merchant bank, from A$4.10 a share to A$4.40, valuing AUC at A$42m (U.S.$34.8m).

The Morgan unit announced its original bid for the 54.7 per cent of AUC it does not already hold two weeks ago. Since then, Industrial Equity Ltd, controlled by Mr Ron Brierley, and Entrad Investments have bought significant stakes in AUC at prices of up to A$4.40 a share.

## NORTH AMERICAN QUARTERLY RESULTS

**CHARTER CO.**
Oil refining, insurance

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 748m | 881.5m |
| Net profits | 14.3m† | 33m |
| Net per share | 0.87† | 1.39 |
| Nine months | | |
| Revenue | 2.77bn | 2.36bn |
| Net profits | 580.6m† | 46.7m |
| Net per share | 40.16† | 1.73 |

† Loss.

**ADOLPH COORS**
Brewing

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 382.3m | 357m |
| Net profits | 20.3m | 31.5m |
| Net per share | 0.58 | 0.90 |
| Nine months | | |
| Revenue | 864.2m | 871.2m |
| Net profits | 44.2m | 82.7m |
| Net per share | 1.27 | 2.36 |

**CUMMINS ENGINE***

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 557m | 405.9m |
| Net profits | 65.7m | 1.5m |
| Net per share | 6.92 | 0.15 |
| Nine months | | |
| Revenue | 1.73bn | 1.12bn |
| Net profits | 149.5m | 25.1m† |
| Net per share | 15.73 | 2.93† |

* Latest quarter profits restated to reflect $5.3m charge. † Loss.

**GENSTAR**
Building materials, waste (Canadian)

| Third quarter | 1984 US$ | 1983 US$ |
|---|---|---|
| Revenue | 508.2m | 531.6m |
| Net profits | 44.8m | 62.1m |
| Net per share | 1.29 | 1.89 |
| Nine months | | |
| Revenue | 1.38bn | 1.35bn |
| Net profits | 85.4m | 82.5m |
| Net per share | 2.33 | 2.30 |

**HOUSEHOLD INTERNATIONAL**
Merchandising, finance

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 1.99bn | 1.9bn |
| Net profits | 61.3m | 59.7m |
| Net per share | 1.10 | 1.09 |
| Nine months | | |
| Revenue | 5.92bn | 5.63bn |
| Net profits | 171.4m | 148.5m |
| Net per share | 3.06 | 2.64 |

**MACK TRUCKS**
Trucks

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 0.76 | — |
| Net profits | 24.2m | 39,000 |
| Net per share | 500.8m | 300.1m |
| Nine months | | |
| Revenue | 1.5bn | 859.5m |
| Op. net profits | 47.4m | 30.5m† |
| Op. net per share | 1.43 | — |

† Loss.

**NOVA, AN ALBERTA CORP.**
Energy

| Third quarter | 1984 C$ | 1983 C$ |
|---|---|---|
| Revenue | 1.03bn | 890.4m |
| Op. net profits | 37.2m | 36.9m |
| Op. net per share | 0.14 | 0.14 |
| Nine months | | |
| Revenue | 2.94bn | 2.88bn |
| Op. net profits | 111.2m | 108.4m |
| Op. net per share | 0.43 | 0.41 |

**PS NEW HAMPSHIRE**
Utility

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 126.8m | 117.2m |
| Net profits | 36.3m | 40.6m |
| Net per share | 0.70 | 0.88 |
| Nine months | | |
| Revenue | 395.6m | 336.7m |
| Net profits | 114.6m | 107.9m |
| Net per share | 2.26 | 2.56 |

**ST. PAULS COS.**
Insurance

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 601.8m | 527.7m |
| Net profits | 55.3m† | 22.6m |
| Net per share | 2.76† | 1.06 |
| Nine months | | |
| Revenue | 1.73bn | 1.53bn |
| Net profits | 93.2m† | 103.4m |
| Net per share | 4.65† | 4.84 |

† Loss.

**UNITED BRANDS**
Food processing

| Third quarter | 1984 $ | 1983 $ |
|---|---|---|
| Revenue | 763.4m | 821.3m |
| Net profits | 1.3m† | 9.5m |
| Net per share | 0.14† | 0.70 |
| Nine months | | |
| Revenue | 1.62bn | 1.74bn |
| Net profits | 9.8m | 37.4m |
| Net per share | 0.63 | 2.47 |

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| A.B.N. Bank | 10¼% | ■ Hill Samuel | §10¼% |
| Allied Irish Bank | 10¼% | C. Hoare & Co. | †10¼% |
| Amro Bank | 10¼% | Hongkong & Shanghai | 10¼% |
| Henry Ansbacher | 10¼% | Knowsley & Co. Ltd. | 11% |
| Armco Trust Ltd. | 11% | Lloyds Bank | 10¼% |
| Associates Cap. Corp. | 10¼% | Mallinhall Limited | 10¼% |
| Banco de Bilbao | 10¼% | Edward Manson & Co. | 11½% |
| Bank Hapoalim | 10¼% | Meghraj and Sons Ltd. | 10¼% |
| BCCI | 10¼% | Midland Bank | 10¼% |
| Bank of Ireland | 10¼% | ■ Morgan Grenfell | 10¼% |
| Bank of Cyprus | 10¼% | National Bk of Kuwait | 10¼% |
| Bank of India | 10¼% | National Girobank | 10¼% |
| Bank of Scotland | 10¼% | National Westminster | 10¼% |
| Banque Belge Ltd. | 10¼% | Norwich Gen. Tst. | 10¼% |
| Barclays Bank | 10¼% | People's Tst & Sv. Ltd. | 11% |
| Beneficial Trust Ltd. | 11½% | R. Raphael & Sons | 10¼% |
| Brit. Bank of Mid. East | 10¼% | P. S. Refson & Co. | 10¼% |
| ■ Brown Shipley | 10¼% | Roxburghe Guarantee | 11½% |
| CL Bank Nederland | 10¼% | Royal Bk. of Scotland | 10¼% |
| Canada Permn't Trust | 10¼% | Royal Trust Co. Canada | 10¼% |
| Cayzer Ltd. | 10¼% | ■ J. Henry Schroder Wagg | 10¼% |
| Cedar Holdings | 11% | Standard Chartered | ‖10¼% |
| ■ Charterhouse Japhet | 10¼% | Trade Dev. Bank | 10¼% |
| Choulartons | 11% | TCB | 10¼% |
| Citibank NA | 10¼% | Trustee Savings Bank | 10¼% |
| Citibank Savings | ¶11½% | United Bank of Kuwait | 10¼% |
| Clydesdale Bank | 10¼% | United Mizrahi Bank | 10¼% |
| C. E. Coates & Co. Ltd. | 11½% | Westpac Banking Corp. | 10¼% |
| Comm. Bk. N. East | 10¼% | Whiteaway Laidlaw | 11% |
| Consolidated Credits | 10¼% | Williams & Glyn's | 10¼% |
| Co-operative Bank | *10¼% | Wintrust Secs. Ltd. | 10¼% |
| The Cyprus Popular Bk | 10¼% | Yorkshire Bank | 10¼% |
| Dunbar & Co. Ltd. | 10¼% | | |
| Duncan Lawrie | 10¼% | | |
| E. T. Trust | 11% | | |
| Exeter Trust Ltd. | 11% | | |
| First Nat. Fin. Corp. | 12½% | | |
| First Nat. Secs. Ltd. | 12% | | |
| ■ Robert Fleming & Co. | 10¼% | | |
| Robert Fraser & Ptns. | 11% | | |
| Grindlays Bank | ‡10¼% | | |
| ■ Guinness Mahon | 10¼% | | |
| ■ Hambros Bank | 10¼% | | |
| Heritable & Gen. Trust | 10¼% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.25%. 1 month 8.00%. Fixed rate 12 months £2,500 9.75% £10,000, 12 months 10.00%.
† 7 day deposits on sums of under £10,000 7¼%. £10,000 up to £50,000 8%, £50,000 and over 8¼%.
‡ Call deposits £1,000 and over 7¼%.
‖ 21-day deposits over £1,000 8¼%.
§ Demand deposits 7¼%.
¶ Mortgage base rate.









# UK COMPANY NEWS

## Offer for sale puts £17m valuation on PSM Intl.

BY ALISON HOGAN

HILL SAMUEL is bringing PSM International, the West Midlands manufacturer of specialised industrial fasteners, to the market for a listing through the offer for sale of 4.25m shares at 140p each.

The company was founded by its president Mr Jack Tildesley in 1931, making small turned parts for supply to local industry. The company developed a number of new products after the war so that by the time Mr Jimmy Tildesley (the founder's son) took over as managing director in 1965, the bulk of the business was in the manufacture and sale of specialist fastener products.

In the last five years, the company has increased turnover from £5.4m to £11.33m while pre-tax profits have risen to £1.24m from £683,000. Mr Tildesley's strategy has been to develop a flexible range of fastener products for particular application in industries perceived as having growth potential.

Currently, 54 per cent of sales go to the electrical and computer industry, with customers including IBM, Rank Xerox and Burroughs Machines. A further 18 per cent goes to the automotive industry and 11 per cent to consumer durables.

PSM products include threaded fasteners for plastics, captive threaded fasteners for electronic assemblies and thread locking sealing devices which prevent a fastener coming loose under vibration.

The group's distribution arrangements were restructured in 1980 which has improved efficiency and the speed with which customer requirements can be met.

The directors see "great potential" for growth overseas, especially in the U.S. where it has its own subsidiary IN-X Fastener Corporation, and which accounted for 19 per cent of sales in the six months to June.

The company will be raising £2.35m from its offer of 2.12m shares. It will use £290,000 to buy adjoining factory and office premises in Willenhall, and the rest will reduce short term debt and later fund further investments. Existing shareholders are offering the other 2.12m shares—some 35 per cent of the company will be with the public after the issue.

The directors have forecast pre-tax profits of £2.4m for 1984 which puts the shares at 140p on a p/e of 10.3 and a yield of 5.4 per cent. PSM will have a market capitalisation of £17m.

Fielding, Newson-Smith are brokers to the issue. Application lists open this Thursday at 10.00 am. Dealings are expected to commence on November 15.

### ● comment

Fasteners are not the sexiest of products and PSM's advisers have gone to great lengths to get the message across that the company is in the business of precision engineering, not widgets. Its fasteners are used in hundreds of different products from microwave ovens, printed circuit boards, and prams to IBM computers. It also makes machines for automated fastener assembly to robot/computer level. The directors are looking for substantial growth overseas, in the U.S., and perhaps developing a little later in the Far East. PSM does have a manufacturing operation in Taiwan, though in general, it finds the UK the most economic place to manufacture most of its production. The company is well established with an impressive client list. If the factory was based in the "Thames Tech Valley" rather than the Black Country there would probably be an extra couple of points on the rating. As it is, the offer should go well.

## FT 500

**How did your company fare in this year's FT 500? Find out with the publication of the full list in Saturday's edition of the Financial Times.**

## British Empire maintains dividend

A final dividend of 0.7p by British Empire Securities and General Trust maintains the total at 0.9p net for the year ended September 30 1984. Early this year the trust changed its investment policy towards capital growth but intended to keep the dividend level for this year.

At the year end the net asset value had moved up to 29.7p, from the 25.2p of 12 months earlier, after allowing for £63,000 reorganisation expenses associated with the appointment of new investment managers. Exceptional dealing costs have also been incurred in implementing the change in policy.

Gross income for the year rose from £366,000 to £384,000. Net revenue came to £227,000 (£225,000) for earnings of 1.12p (1.11p) per share.

## U.S. buy lifts Fisher yearly sales to £75m

With the recent acquisition of the Carnival Fruit Company of the U.S., turnover of the Albert Fisher Group is running at some £75m annually using current exchange rates, reports the chairman Mr A. B. Millar.

He expects Carnival to contribute usefully to results in the current year and enable the directors to further advance the implementation of their long-term plans. They again view the coming year with confidence.

Shareholders registered November 9 are to receive a one-for-two scrip issue in addition to their total dividend for the year ended August 31 1984 of 1.5p net, already announced. Improved performances and the inclusion of acquisitions led to turnover rising from £15.06m to £44.37m and profit before tax from £327,000 to £1.09m.

The group imports, processes and distributes fresh fruit, vegetables and dairy produce.

Emoluments of the highest paid director went up from £16,000 to £56,000.

## COMPANY NEWS IN BRIEF

Assuming loan stock conversion net asset value at Berry Trust amounted to 181p, compared with 147p, for the year to the end of August 1984. Last April the figure amounted to 177p.

Net profits rose from £319,000 to £461,000 after tax of £228,000 (£208,000). The net single dividend has effectively been lifted from 0.95p to 1p allowing for a one-for-one scrip. Last April the directors forecast a final of not less than 0.95p. Earnings per 25p share are shown as 1.46p (1.01p).

Fixed asset investment income grew from £1.85m to £2.47m. Current asset investment income was £6,000 (£17,000) and other income came to £2.68m (£2.24m).

* * *

Wemyss Investment Trust saw the net asset value of its £1 shares rise by 11 per cent to 657p over the 12 months ended September 30 1984, and its earnings for the period improve from 17.7p to 20.9p per share.

A final dividend of 13p holds the net total at 20p but with the dividend now covered it is anticipated that a progressive dividend policy can now be resumed.

Net profits for the year improved from £397,000 to £469,000 after tax of £281,000, against £272,000. The managers intend to increase the trust's exposure to overseas resource-based investments.

* * *

Income available for the ordinary shareholders of Fleming Far Eastern Investment Trust has shot up from £422,524 to £781,351 in the half year ended September 30, 1984, with revenue on deposit interest rising from £52,176 to £541,815.

Of the portfolio, 74 per cent is in Japan and 11 per cent in Australia. At September 30 net asset value per share was equal to 332p, compared with 329.6p at March 31, after deducting prior charges at par.

In the period investment income moved up to £1.37m (£1.17m). The tax charge was £657,815 (£470,976). Earnings are 1.55p (0.84p) and the interim dividend is held at 0.5p.

* * *

In the half year ended September 30, 1984 Dualvest has pushed up its net revenue available for income shares from £370,000 to £425,700, equal to 4.73p, against 4.11p, per 50p share.

At September 30 net assets attributable to the £1 capital shares stood at £22.36m, compared to £21.73m at March 31, equal to £11.18 (£10.86) per share.

For the six months gross income was ahead from £611,200 to £679,700, including dividends and interest £606,300 (£534,700).

* * *

Net asset value per capital share at Fundinvest rose from 319.875p to 333.5p in the six months to September 30, 1984, having stood at 267p at the comparable stage.

The proposed final dividend is 3.038p net per share against 2.708p, and lifts the total from 4.692p to 5.109p.

Net revenue was £629,008 (£582,668) after tax at £289,249 (£283,193).

* * *

Hartogen Energy's one-for-eight offer for shares in associate company Oil Investments which closes today will not be extended.

## F.T. Share Information

The following securities have been added to the FT Share Information Service:

Dart & Kraft Inc
(Section: Food, Groceries)
Industrial Scotland Energy
(Oil and Gas)

## Gable House Props.

Gable House Properties, the London-based property development group which joined the Unlisted Securities Market in July 1983, has confirmed that it has been granted a full listing.

A listing has also been granted for the £1.5m of £10¼ per cent convertible unsecured loan stock 1995-99 which has been placed by the company's stockbrokers, Strauss, Turnbull. Dealings will commence on the full market today. Last month the company announced a 116 per cent increase in pre-tax profits to £671,000 for the year





## FINANCIAL TIMES STOCK INDICES

| | Nov. 2 | Nov. 1 | Oct. 31 | Oct. 30 | Oct. 29 | Oct. 26 | 1984 High | 1984 Low | Since Compilat'n High | Since Compilat'n Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Government Secs. | 82.26 | 81.36 | 81.36 | 81.02 | 80.76 | 80.93 | 83.77 | 75.72 | 127.4 | 49.18 |
| Fixed Interest | 84.88 | 84.35 | 84.37 | 84.00 | 83.85 | 84.38 | 87.48 | 80.43 | 150.4 | 50.53 |
| Industrial Ord | 907.6 | 896.9 | 888.0 | 885.1 | 878.2 | 873.2 | 922.8 | 755.3 | 922.8 | 49.4 |
| Gold Mines | 504.2 | 493.5 | 507.7 | 510.4 | 519.2 | 544.8 | 711.7 | 489.7 | 734.7 | 43.5 |
| FT-Act All-Share | 551.41 | 546.10 | 543.46 | 540.23 | 536.30 | 534.31 | 551.41 | 464.84 | 551.41 | 61.92 |
| FT-SE100 | 1168.6 | 1168.4 | 1151.0 | 1145.2 | 1148.1 | 1130.5 | 1168.6 | 986.9 | 1168.6 | 986.9 |



# RECENT ISSUES

## EQUITIES

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − | Net Div. | Times covered | Gross yield | P/E ratio |
|---|---|---|---|---|---|---|---|---|---|---|---|
| §116 | F.P. | [illegible] | 167 | 136 | Addison Comms. 5p | 167 | +1 | [illegible] | [illegible] | [illegible] | [illegible] |
| ‡87 | F.P. | [illegible] | [illegible] | [illegible] | Appledore (A.& P.) 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §100 | F.P. | [illegible] | [illegible] | [illegible] | Breakmate 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| £165 | F.P. | [illegible] | [illegible] | [illegible] | Brit. Bloodstock | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ‖ ‖ | F.P. | [illegible] | [illegible] | [illegible] | Checkpoint Europe | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §88 | F.P. | [illegible] | [illegible] | [illegible] | Comp. Fin. Serv. 5p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §115 | F.P. | [illegible] | [illegible] | [illegible] | Crafon Lodge 1p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | Domin'n Int. High Inc. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | Do. Warrants | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §74 | F.P. | [illegible] | [illegible] | [illegible] | Fergebrook 20p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §197 | F.P. | [illegible] | [illegible] | [illegible] | Hawtal Whiting 5p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | Home Counties News | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 210 | F.P. | [illegible] | [illegible] | [illegible] | Iceland Frozen F. 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §117 | F.P. | [illegible] | [illegible] | [illegible] | Media Technology 20p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ‖ ‖ | F.P. | [illegible] | [illegible] | [illegible] | Oldacre 20p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 30 | F.P. | [illegible] | [illegible] | [illegible] | Paul Michael L'w 5p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ‡70 | F.P. | [illegible] | [illegible] | [illegible] | Plasmac 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | S & U Stores Warrants | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §10 | F.P. | [illegible] | [illegible] | [illegible] | Second Market Inv. 5p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §140 | F.P. | [illegible] | [illegible] | [illegible] | Shore Drug 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 125 | F.P. | [illegible] | [illegible] | [illegible] | Stone Intl. 50p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §90 | F.P. | [illegible] | [illegible] | [illegible] | S.T. & S. Stores 5p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §78 | F.P. | [illegible] | [illegible] | [illegible] | TradePrt Int'n 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| §110 | F.P. | [illegible] | [illegible] | [illegible] | UDO Hldgs. 10p | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| 100 | F.P. | [illegible] | [illegible] | [illegible] | Wates City of Lon. Prop. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## FIXED INTEREST STOCKS

| Issue price £ | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price £ | + or − |
|---|---|---|---|---|---|---|---|
| 91.874 | £30 | [illegible] | [illegible] | [illegible] | African Dev. Bank 11¼% Ln. 2010 | [illegible] | [illegible] |
| ¶99.67 | F.P. | [illegible] | [illegible] | [illegible] | Cambridge Water 8% Red. Prf. 1988 | [illegible] | [illegible] |
| §100 | F.P. | [illegible] | [illegible] | [illegible] | Do. 13% Red. Deb. 2004 | [illegible] | [illegible] |
| ‖ | F.P. | [illegible] | [illegible] | [illegible] | Elswick-Hopper 8% Cv.Cum. Pf. | [illegible] | [illegible] |
| ‖ | F.P. | [illegible] | [illegible] | [illegible] | Estate Prop. Inv. 10% Cv. | [illegible] | [illegible] |
| 90.58 | £50 | [illegible] | [illegible] | [illegible] | European Inv. Bk. 10¾% Ln. 2004 | [illegible] | [illegible] |
| §100 | £10 | [illegible] | [illegible] | [illegible] | Folkestone Water 11¾% Red. Deb. | [illegible] | [illegible] |
| 99.161 | £30 | [illegible] | [illegible] | [illegible] | Int. Bk. for Recon. & Dev. 11¾% Ln. | [illegible] | [illegible] |
| §99.199 | £25 | [illegible] | [illegible] | [illegible] | Lon. Shop Prop. 11% 1st Mort. Deb. | [illegible] | [illegible] |
| §98.102 | £25 | [illegible] | [illegible] | [illegible] | Marley 11½% Deb. 2009 | [illegible] | [illegible] |
| — | F.P. | [illegible] | [illegible] | [illegible] | Northwick 11% | [illegible] | [illegible] |
| ‖ | F.P. | [illegible] | [illegible] | [illegible] | Plant & Gen. 9% Cnv. Uns. Ln. | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | Priest (Ben) 8% Cum. Cv. Red. Pref. | [illegible] | [illegible] |
| ¶¶ | F.P. | [illegible] | [illegible] | [illegible] | Racal Elect. 7% Cnv. Uns. Ln. | [illegible] | [illegible] |
| 97.005 | £25 | [illegible] | [illegible] | [illegible] | Slough Ests. 11¼% 1st Mort. Deb. | [illegible] | [illegible] |
| 91.976 | £20 | [illegible] | [illegible] | [illegible] | Sweden 11% Ln. 2012 | [illegible] | [illegible] |
| ‖ | F.P. | [illegible] | [illegible] | [illegible] | Tops Ests. 7¼% Conv. Uns. Ln. | [illegible] | [illegible] |

## "RIGHTS" OFFERS

| Issue price p | Amount paid up | Latest Renunc. date | 1984 High | 1984 Low | Stock | Closing price p | + or − |
|---|---|---|---|---|---|---|---|
| 156 | F.P. | [illegible] | 205 | 176 | Avon Rubber £1 | 205 | +1 |
| 38 | Nil | [illegible] | [illegible] | [illegible] | Baynes (Charles) 10p | [illegible] | [illegible] |
| 100 | Nil | [illegible] | [illegible] | [illegible] | Cambrian & General | [illegible] | [illegible] |
| 210 | Nil | [illegible] | [illegible] | [illegible] | Do. Cap 7½p | [illegible] | [illegible] |
| 240 | Nil | [illegible] | [illegible] | [illegible] | OASE 50p | [illegible] | [illegible] |
| 87 | F.P. | [illegible] | [illegible] | [illegible] | LRC Intl. | [illegible] | [illegible] |
| 200 | F.P. | [illegible] | [illegible] | [illegible] | NatWest Bank £1 | [illegible] | [illegible] |
| A$0.98 | Nil | [illegible] | [illegible] | [illegible] | Pertama Mining | [illegible] | [illegible] |
| 445 | F.P. | [illegible] | [illegible] | [illegible] | Reckitt & Colman | [illegible] | [illegible] |
| 220 | F.P. | [illegible] | [illegible] | [illegible] | Shanks & McEwan | [illegible] | [illegible] |
| 205 | Nil | [illegible] | [illegible] | [illegible] | Sovereign Oil | [illegible] | [illegible] |
| 108 | Nil | [illegible] | [illegible] | [illegible] | Television Services 50p | [illegible] | [illegible] |
| 70 | Nil | [illegible] | [illegible] | [illegible] | Tyndall Ests. 10p | [illegible] | [illegible] |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. C Canadian. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. § Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ■ Allotment letters (or fully-paid). ‖ Introduction. ‡ Unlisted Securities Market. ‡ Placing price. † Figures assumed. ‡ Units comprising one ordinary share and one option. †† Official London Listing. $ Shares of no par value.

## PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

| | Date | Announcement last year | | Date | Announcement last year |
|---|---|---|---|---|---|
| *A. E. | Dec 13 | Final 1.4 | Haslemere Estates | Dec 15 | Interim 2.05 |
| Akroyd and Smithers | Nov 17 | Final 12.5 | *Heath, C. E. | Nov 22 | Interim 8.25 |
| *Allied Irish Banks | Nov 14 | Interim 4.5 | *Hill Samuel | Nov 9 | Interim 3.0 |
| Allied-Lyons | Nov 29 | Interim 2.42 | I. C. Gas | Dec 13 | Interim 4.0 |
| *Amersham International | Nov 12 | Interim 1.9 | Imasun | Dec 11 | Interim 1.8 |
| *Anglo Amer Corpn SA | Nov 29 | Interim 35c | Int. Signal and Control | Nov 15 | Interim 0.7c |
| Argyll | Nov 24 | Interim 1.75 | Johnson Matthey | Nov 23 | Interim 3.0 |
| *Assoc Brit Foods | Nov 5 | Interim 1.6 | *Kwik Save Discount | Nov 15 | Final due |
| Assoc Paper Inds | Dec 13 | Final 3.0 | LRC | Nov 17 | Interim 1.15 |
| BOC | Dec 8 | Final 3.57 | *LWT | Nov 15 | Final 6.562 |
| *BPB Inds | Dec 13 | Interim 2.8 | *Ladbroke | [illegible] | [illegible] |
| Baker Perkins | Dec 12 | Interim 2.4 | London Merchant Securities | Dec 13 | Interim 2.381 |
| *Bank of Ireland | Nov 15 | Interim 5.5 | *Lucas Inds | Dec 12 | Final 5.0 |
| *Bass | Dec 6 | Final 8.43 | *MEPC | Nov 15 | Final 8.0 |
| Beecham | Nov 15 | Interim 3.5 | Marlin The | [illegible] | [illegible] |
| Beazer (C. C.) | Nov 8 | Final 6.0 | Newsagents | Dec 12 | Final 3.72 |
| Beecham | Nov 30 | Interim 4.8 | McCorquodale | Dec 13 | Final 5.25 |
| Boots | Nov 22 | Interim 2.0 | Metal Box | Nov 22 | Interim 5.81 |
| Brit Elec Traction | Dec 18 | Interim 2.25 | Meyer International | Dec 13 | Interim 1.65 |
| Brown (Matthew) | Dec 5 | Final 5.82 | Northern Foods | Dec 14 | Final 4.25 |
| Brown Shipley | Nov 17 | Interim 3.0 | Paula Peglar-Hattersley | Dec 6 | Interim 5.5 |
| Burnett and Hallamshire | Nov 28 | Interim 4.0 | *Pilkington | Dec 12 | Interim 8.0 |
| Burton | Nov 22 | Final 5.9 | Polly Peck | Dec 8 | Interim 10.0 |
| *Cable and Wireless | Nov 28 | Interim 2.4 | Powell Duffryn | Nov 24 | Interim 6.0 |
| Capital and Counties | Nov 30 | Interim 1.4 | RHM | Dec 6 | Final due |
| Carless Capel | Dec 6 | Interim 1.0 | RHP | Nov 30 | Final 0.75 |
| *Cater Allen | Nov 7 | Interim 8.0 | *Redland | Nov 29 | Interim 3.325 |
| Charter Cons. | Nov 29 | Interim 5.75 | Renold | Nov 24 | Interim nil |
| *Chloride | Nov 23 | Interim nil | Rothmans International | Nov 22 | Interim 2.0 |
| Chubb | Nov 15 | Interim 1.95 | Royal Bank of Scotland | Dec 1 | Final 4.4 |
| Coalite | Nov 22 | Interim 1.67 | *Sainsbury (J.) | Nov 9 | Interim 2.45 |
| Crown House | Dec 12 | Final 2.5 | *Scapa | Nov 22 | Interim 3.15 |
| *Dawson Intl | Nov 29 | Interim 2.2 | Scottish & Newcastle | Dec 14 | Interim 1.73 |
| Dee Corp | Dec 1 | Interim 7.0 | *600 Group | Nov 29 | Interim 2.34 |
| *De La Rue | Nov 13 | Interim 6.5 | Sketchley | Nov 15 | Interim 3.8 |
| Distillers | Dec 15 | Interim 4.5 | *Smiths Inds | Nov 15 | Final 7.5 |
| English China Clays | Dec 15 | Final 5.9 | Stakis | Nov 29 | Final 1.1 |
| Ferguson Industrial | Nov 24 | Interim 3.0 | Staveley Inds | Nov 15 | Interim 4.5 |
| Ferranti | Nov 7 | Interim 1.3 | Tesco | Nov 17 | Interim 1.5 |
| GUS | Nov 22 | Interim 2.2 | Trafalgar House | Dec 8 | Final 4.6 |
| Great Portland Estates | Nov 9 | Interim 1.429 | *Unigate | Nov 15 | Interim due |
| Greenall Whitley | Dec 6 | Final 2.225 | *Valor | Nov 15 | Interim 1.074 |
| Greycoat City Offices | Dec 7 | Interim 0.8 | Vaux Brewer | Dec 13 | Final 0.05 |
| Habitat Mothercare | Dec 13 | Interim 2.0 | Wedgwood | Dec 8 | Interim 2.25 |
| *Hall (Matthew) | Dec 4 | Interim 1.275 | Westland | Dec 8 | Interim 2.25 |
| Hambros | Nov 21 | Interim 16.25 | Whessoe | Nov 27 | Final 2.5 |
| Hanson Trust | Dec 7 | Final 3.0 | *Whitbread | Nov 21 | Interim 1.85 |
| | | | Wolseley-Hughes | Nov 6 | Final 10.81 |
| | | | Wolverhampton and Dudley Brews | Dec 7 | Final 4.85 |

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

**TODAY**

Interims:—Applied Computer Techniques, Associated British Foods, British Investment Trust, Bronx Engineering, Delyn Packaging, Tysons (Contractors).

Finals:—Bridport-Gundry, Crampthorn, Draytons Consolidated Trust, W. A. Tyzack.

**FUTURE DATES**

| | |
|---|---|
| Interims:— | |
| Aberfoyle | Nov 7 |
| Asset Special Situation Trust | Nov 8 |
| Boots | Nov 22 |
| Chamberlain and Hill | Nov 15 |
| Ferranti | Nov 7 |
| GEI International | Nov 8 |
| GT Global Recovery Invest. Tst. | Nov 15 |
| Hargreaves | Nov 29 |
| Lloyd (F. H.) | Nov 8 |
| Murray Technology Investments | Nov 22 |
| RMC | Nov 22 |
| Oxford Instruments | Nov 13 |
| Small (John C.) and Tidmas | Nov 8 |
| Finals:— | |
| Bass | Dec 6 |
| Maynards | Nov 8 |
| Morland | Nov 29 |
| Murray Electronics | Nov 7 |

# MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

David Hurst: "Many of the Cargos built in the second year of production were of better quality than those built in the first."

## Ford: why trucks had a bumpy start

**Kenneth Gooding explains how teething problems affected the introduction of the motor group's Cargo range**

EARLY in 1981, with high hopes of biting deep into the heavier end of the European commercial vehicle markets, Ford launched a new range of trucks. But the company was over-confident, as it now openly admits. Brought to market at the not insubstantial cost of £125m, the stylishly-named Cargo had an inauspicious start to life.

"We tried to introduce a complete range of Cargos, from 5.6 tonnes to 34 tonnes, in 18 months. We had never before launched a complete range of new commercial vehicles and we tried to do it over too short a period. We were too ambitious about our engineering speed and our marketing speed," says David Hurst, Ford of Britain's director of truck sales.

The upshot, according to long-standing industry gossip, was that Ford had to recall all the Cargos built in the first year to "fix" various technical problems at a cost of £2,000 a truck. Now that Ford has at last decided to comment in detail, this proves to be only partly true. Hurst maintains that owners of about half the 25,000 Cargos built in the first year were invited to have them attended to free under warranty. The problems mainly affected the high-volume 7.5 tonners.

The maximum cost per truck was £2,000 but by no means all of them needed that much attention.

Cargo operators suggest that about 20 items, including such things as engine mountings, cab mountings and steering joints, were on Ford's list of things possibly needing attention.

Hurst insists there were no fundamental problems affecting vital driveline components (engines, transmissions, axles) but there were niggling difficulties: keys breaking in the ignition, door glass slipping down and so on.

"With any new product, much as any management would like to get it right, things can go wrong. Things went wrong with the Cargo and we went ahead and put them right," says Hurst.

This did not involve any major design, specification or production changes. The cure came instead from the slowing down of the pace at which models were introduced—the 18-month introduction period was eventually extended to three years—and from making minor changes to a variety of components.

"Many of the Cargos built in the second year of production were of better quality than those built in the first," comments Hurst. "We had to stand by our product. We decided to update the lot—the first year's production too. We did so because we have a responsibility to our customers. Many of them had not complained and wondered why we were calling back their trucks.

"Some customers walked away because of the problems. Several are coming back now they have tried the competition."

One fleet manager of a large company—who asked not to be named—explained the frustration felt by the operators at the time. "Nobody likes having an expensive vehicle off the road but you will put up with it for normal maintenance purposes. When you have about 100 vehicles, as we have, and they keep being recalled for updating and improvements which possibly should have been in them from the start, it becomes a bit of a problem.

"Even if the job was to take only a few hours we still lost a complete day because the vehicles could not be attended to in our own workshops but had to go to a dealer who had the necessary parts."

The fleet manager says his company has not bought Cargos for some time—but not because of the technical problems, simply because the initial cost of a rival product was much lower.

Hurst vehemently rejects any suggestion that Ford might have contributed to its own difficulties by shaving too much cost off each component. "Nickel-and-diming was not a problem," he declares. The Cargo actually was designed to cost more in terms of materials and components than the 16-year-old D-series range it replaced. "To compensate we pruned fixed costs and boosted productivity."

Ford could have done without the technical problems because it had already set itself a difficult enough marketing exercise persuading a highly-conservative industry to accept some new technology.

In particular, the Cargo's chassis is made from high-tensile steel. It can twist to absorb some of the stresses imposed when a truck is in operation. However, in a highly competitive market, this was an encouragement to some rival companies to talk about "buckling Cargo chassis."

The chassis structure does not permit truck body builders to drill holes anywhere they want. Neither can they cut the chassis frame to shorten it—known in the trade as "cut and shut"—without major buttressing.

On top of this, Ford used metric measurements for the Cargo whereas the old D-series measurements were Imperial. No wonder, then, that the Cargo was not exactly the body builders' favourite machine.

Three years have gone by since the Cargo's launch, and Ford has only recently put the finishing touches to the range; a newly-introduced heavyweight version, incorporating a Cummins 10-litre engine, which is primarily for use at 32 tonnes gross weight, but which can work at up to 38 tonnes.

Hurst maintains that, with the passing of time, the Cargo is now widely recognised as a "state of the art" truck by operators and body builders alike. Quality and reliability are the best in its class, he maintains. Ford generated a great deal of goodwill with the voluntary recall programme, he suggests. Trade-in prices, particularly for the 7.5 tonne product, are good. This is confirmed by Glass's John Ovington, who adds: "There are not many used Cargos around at the moment which might explain why they are making good money in spite of the big discount on new cargos."

So far, however, the Cargo has not done much for Ford's share of the over-3.5 tonnes market. Its share of Western European registrations, 7 per cent in 1980, last year had declined to 6.08 per cent—14,127 vehicles—against 6.38 per cent and 14,377 vehicles in 1982. Ford's production of trucks over 3.5 tonnes fell last year from 32,582 to 27,447, or by 15.8 per cent at a time when total West European output fell by only 2.4 per cent to 448,153.

However, apart from the introduction of the full range of Cargos—built solely at the Langley factory in Berkshire, UK—taking more time than expected, Ford has also stopped production of both the heavy-weight Transcontinental trucks and the A-series vehicles which were designed to operate at up to 6.5 tonnes gross weight.

The Cargo's problems have given some credence to suggestions that Ford has had enough of the heavy truck business and will in future concentrate on its profit-spinning van and car-derived commercial vehicle production.

Hurst insists this could not be further from the truth. One of Ford's strengths, particularly in Britain, is that it offers a complete range of commercial vehicles, from the smallest to the heaviest permitted on the road.

He claims that, as far as Ford can tell, not one European company is making a profit from heavy truck sales —"Volvo and Mercedes come closest" — but Ford's total commercial vehicle business is profitable.

Ford's losses on heavy trucks are nowhere near as great as the £50m or so reported last year by both General Motors' Bedford subsidiary in Britain and BL's Leyland Truck offshoot.

Hurst suggests that Ford would have continued to make money in the short term on heavy trucks "if we had not spent £180m on the Cargo and the Dover engine" used to power it.

A further £12m has been spent recently to engineer the Cargo to accept the Cummins engine and for a "sleeper" cab. "If that is not commitment, I don't know what is."

And with a nod in the direction of the Ford top management in Dearborn, Michigan, Hurst adds: "Our losses on heavy trucks, in Dearborn's view, are under control and containable. But we are committed to getting a return on our investment one day."

Company politics

## The pursuit of competence

BY ARNOLD KRANSDORFF

OVER THE years a myriad of reasons has been put forward to explain the malaise of British industry—from bad industrial relations to lack of investment.

But for John Hayes, an academic who has spent more than a decade as a consultant to both British and overseas companies, it is sheer managerial incompetence that gets his vote, mainly because managers in the UK have not mastered the game of playing company politics.

Writing in the latest issue of the Journal of General Management* published for the Henley Management College, he lays the blame on staid and inflexible organisational cultures.

Hayes, who is a senior lecturer in the department of management studies at the University of Leeds, says that managers become unconscious of their own incompetence because they are either so content or so passive that they never think to question the culture of their organisation and the constraints it imposes on their freedom to act.

"Low productivity in much of British industry may be attributable to the unconscious incompetence of its management," he says. It is only slightly less frustrating than conscious incompetence.

Instead, managers—and management education programmes —should aim to develop what Hayes calls "conscious competence": not just the awareness of necessary change, but the requisite skills to achieve it.

In order to be in a position to exercise influence, Hayes argues, the manager not only *needs* to be competent, he needs to be seen to be competent by others. He therefore needs to pay attention to his own and his department's reputation.

A manager will also benefit from taking stock of the information and resources he provides. "He needs to know how important these are to the performance of others and to the achievement of their personal goals, and he needs to assess how readily they can obtain what he has to offer from alternative sources."

For a manager to exercise power, other people have to be aware of their dependence upon him, Hayes continues. He advocates the raising of awareness of dependency, "within a climate which supports the ideal of mutual help and co-operation."

By the same token, of course, the manager needs to pay attention to his dependence on others, and to identify who are the significant other people, both inside and outside the organisation, who can help or hinder the achievement of his goals. Once he knows, he can build constructive links with them.

* *The politically competent manager. Journal of General Management, Vol 10 No 1 Autumn 1984. Published by Basil Blackwell, 108 Cowley Road, Oxford OX 4 1JF.*

## Management abstracts

**The Action Profile.** R. S. Burnett and J. A. Waters in Business Horizons (U.S.) May/June 1984.

Tells how Alcan Aluminium set out to improve its career development programme for junior staff by producing a three-part document on the most senior posts in the company, comprising a post description, an analysis of the incumbent's career history, and an action profile setting out the capabilities, skills and personal qualities required for the post; describes its use in encouraging junior people to take a constructive approach to their own career management.

**Accounting for staff share option schemes.** P. B. Thomas and L. E. Farmer in Journal of Accountancy (U.S.), June 1984.

Considers how to account for such schemes in such a way that consistency from year to year and from company to company can be achieved.

**Foreign currency translation of profits.** I. Demirag in Accountancy (UK), August 1984.

Discusses the arguments for and against using the closing rate of exchange or the average rate of exchange for translating overseas subsidiaries' profits; concludes in favour of the closing rate method, but not exclusively.

**Computer-aided sales management.** K. Brankamp and C. Hemmer in Absatzwirtschaft (Fed. Rep. of Germany), July 1984 (in German, English version available)

Shows how suppliers of machine tools can effectively support the activities of their salesforces by the production of computer-produced records showing, on the one hand, the activities connected with one prospect (this is issued to the representative who returns it with information on action taken), and—on the other—producing updated summaries for sales management's control of the representatives.

**Women in international management.** N. J. Adler in California Management Review (U.S.), Summer 84

Surveys the current distribution of female international managers working for north American corporations, finding that — although an increasing number of domestic managers are women — most expatriate managers are men. Questions whether the small numbers are due to host country resistance, company intransigence, or reluctance on the part of women to travel; makes recommendations for companies wishing to select the most effective managers for overseas jobs — stressing that host country surprise should not be seen as prejudice.

**Women in management: reducing the price of success.** E. D. Watson and R. C. Hodgson in Business Quarterly (Canada), Spring 84

Offers advice — from real-life situations — to women managers wanting to climb the corporate ladder without falling off, ranging through choosing the right company (stressing that satisfaction is more important than compensation), presenting oneself at interviews, adapting to the organisational culture and teamwork, self promotion, patience, dealing with adversaries (both open and hidden), and balancing career/marriage issues.

**These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £3 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.**

# TECHNOLOGY

EDITED BY ALAN CANE

DUNLOP INVESTS £5m IN ADVANCED MANUFACTURING PLANT IN MANCHESTER

## The black art of rubber production is automated

BY GEOFFREY CHARLISH

DUNLOP INDUSTRIAL Group has invested £5m in the development and construction of the most advanced rubber mixing plant in Europe.

Completely controlled by a network of computers, the system has been installed at Dunlop's Manchester-based General Rubber Goods Division —on the site where Charles Mackintosh produced his first rubberised fabrics for raincoats in 1824.

It has been jointly designed by Dunlop's engineering support division and Logica, the computer systems company, which undertook work worth £0.75m for the three year project.

Driven by orders from the sales office, with connections to a product design and test facility, it is one of the first computer aided manufacturing (CIM) systems in the UK.

The new plant can produce 330 tonnes a week of rubber compounds in up to 1,000 different formulations, with only 52 people working double shifts. Previously, over 100 were needed to produce about half the output by manual and semi-automatic methods.

The materials are used by Dunlop and other manufacturers to make products like inflatable liferafts, rubber floorings, conveyor belting, industrial and aviation tyres. The new plant will provide a custom mixing service to the European rubber products industry, with improved quality and consistency of output.

Mr Anthony Harvey, the Dunlop Holdings director responsible for the project, says there has always been an element of "black art" in formulating rubber compounds. In addition, the working environment has been dirty and unpleasant. "Now we have substituted science for the traditional art," said Mr Harvey.

On the face of it, the bulk mixing of solids seems straightforward. In practice, maintaining accuracy in terms of times, temperatures and additive quantities—to achieve repeatability of product characteristics—has not been easy. Often, more than one mixing period, with further additions of powders has been needed. With computer control and conveyor belt transport of additives to the big Francis Shaw K6 mixer, a single mixing run is now possible for most products.

At the top of the new plant, which is built on three floors, bulk powders such as carbon black and china clay are transferred from holding hoppers sized according to usage rates. The materials move down pipes to weigh stations on the mixing floor and are fed directly into the mixer—which is the size of a small living room. Under computer control, the precise amount for the batch to hand is released into a holding container ready for adding into the mixer.

The plant will provide a custom mixing service to the European rubber products industry

Also directly fed under computer control are up to eight kinds of quick acting "late addition" powders which are added near the end of the mixing period to modify the physical characteristics of the products.

A quantity of oil (common to all rubber products) is injected through a fluid meter.

The basic synthetic or natural rubber polymer, which comes into the plant in 10 lb shoe-box sized blocks from various suppliers, is fed in via a bandscale (a conveyor/weighing scales combination). A display, updated for each batch by the computer system, shows the operator exactly how much to add.

Rubber production also entails the addition of several other chemicals, in small but accurate amounts. Dunlop tackles this by using tubs with thin plastic bag liners moved by conveyor systems and tracked by the computers. Measured amounts are scooped into the tubs manually from a carousel of labelled bin (using on-screen instructions from an adjacent computer display). Alternatively, the tubs pass under hoppers from which the powders are accurately metered.

The tubs arrive at the same mixer input as the polymer blocks. The operator lifts out the plastic bag and both it and the powder go into the mixing mill.

Batch mixing times vary from one to six minutes, after which the product emerges from under the mixer and is formed into strips, cooled and palletised for customer delivery.

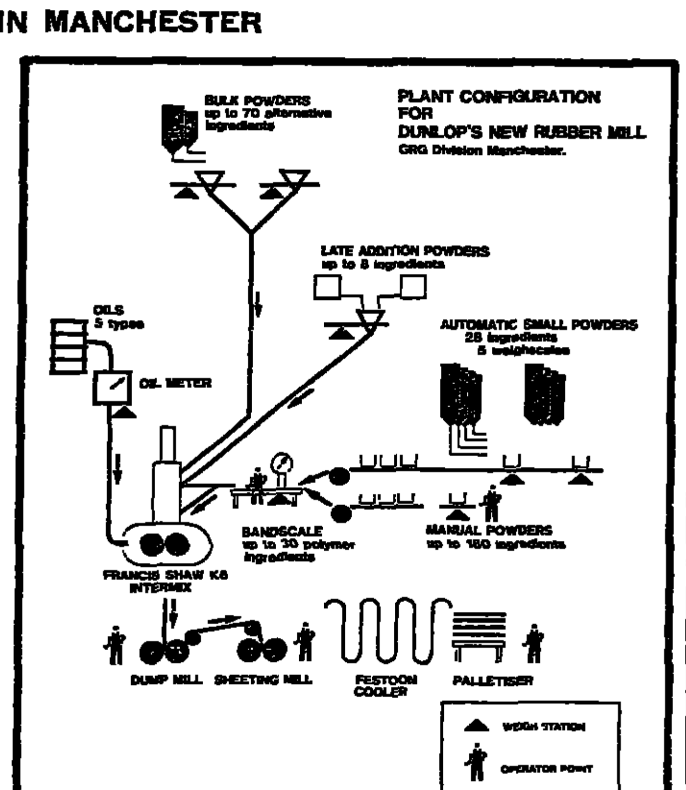
Two mixers work at the same time from common feeding systems, and the whole plant is monitored and programmed from a single control room with four screen-and-keyboard displays connected to the computers.

The CIM system communicates across the factory site via an interconnected star network of five Digital Equipment Company (DEC) computers.

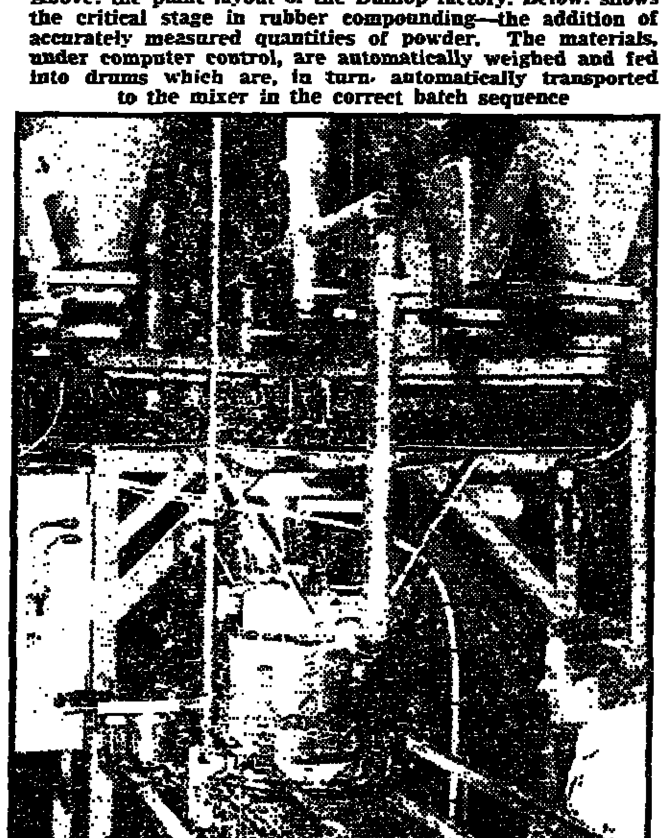
Two PDP 11/44 minicomputers (one on standby to ensure continuous production in the event of a fault) support the system database (information store), the terminals and a link to existing Dunlop business computers. Three LSI/11 microcomputers control the manufacturing processes (mixing energy, times, temperatures, weights, motions) via programmable logic controllers on the shop floor.

In the control room, one terminal gives an overall view of the whole process via screens—full of data and graphics, while the others show the activity of the three microprocessors. Formulations can be listed and the state of the various batches can be displayed.

By using the computers from a special control room panel, engineers can formulate mixes and run them through the plant. Using testing machines in the same room, they can take samples straight from the plant, examine them and then make any necessary changes to the formulation.




Above: the plant layout of the Dunlop factory. Below: shows the critical stage in rubber compounding—the addition of accurately measured quantities of powder. The materials, under computer control, are automatically weighed and fed into drums which are, in turn, automatically transported to the mixer in the correct batch sequence



Information

### Searching databases

ICL, the UK-based mainframe computer manufacturer, has combined two of the most powerful file searching techniques into a single new facility on its large mainframes.

Called Relational CAFS Interface (RCI), the facility combines ICL's invention CAFS (Content Addressable File Store) with a relational database interface.

CAFS is a hardware/software combination which makes it possible to retrieve items at very high speed from standard data storage disks.

Relational database techniques make it possible to retrieve information in a number of different ways, depending on the relationships between the various bits of data in which the user is interested.

According to ICL, RCI provides automatic access to CAFS facilities and can be used by all data processing departments without the need to learn new programming skills.

More on 01-788 7272.

Computers

### Voice recognition

BRITISH TELECOM is to spend £2m on a project to develop computers that recognise the human voice. The three-year project will be headed by the organisation's research centre at Martlesham Heath.

Logica and Cambridge University will also take part in the study which is also being funded in part by the Alvey Directorate.

Speech recognition has been a slowly developing technology with companies like Texas Instruments leading the field.

The Alvey Directorate is concerned to spread the use of computer technology especially amongst those who are not technical. The ability for computers to recognise speech could be particularly useful for searching through information stored in databases, for example.

Nuclear

### Waste disposal

STUDIES ARE under way at Los Alamos Laboratory, New Mexico, on the use of synthetic rock for the disposal of radioactive waste.

The synthetic rock developed in Australia consists of the minerals zirconolite, perovskite, and hollandite. Zirconolite is altered by exposure to radioactive materials says the laboratory. It is changed from a crystalline form with an ordered atomic arrangement to a glassy structure where the atoms are disordered.

In this condition, the rock is tougher and can last for more than 100,000 years which is long enough to outlast the radiation hazard.

Office

### Word processing

THORN-EMI has introduced a range of word processing software for personal computers. Developed by Samna Corporation in Atlanta, U.S., the programs range from word processing to integrated spreadsheets and database management software.

Though initially designed for the IBM personal computer and compatible machines, the software will now run on Texas Instruments Professional series and Digital Equipment's Rainbow 100 and 100+. More details from Thorn-EMI on 0252 543333.

Software

### Sophisticated tools

FURTHER FUNDING from the Alvey Directorate has been allocated to a consortium including CAP, Software Sciences part of Thorn EMI, Learmonth and Burchett Management Systems and three universities.

Total funding, of which half comes from industry, is £6.2m for the three year project. The money is for the development of Eclipse, which is basically sophisticated tools for the software industry to help it meet the needs of the computing market in the next decade.



Energy

### Harnessing heat for power

DR IAN SMITH at City University has developed improved techniques for producing power from heat. Called the trilateral system, he hopes that it will be adopted by companies wishing to exploit geothermal energy.

Dr Smith is a consultant to Solmecs Corporation, a company set up in 1980 to market new forms of energy systems. Having built a pilot system for trilateral at City University, Solmecs is looking for funds and partners to develop the system further.

Dr Smith's trilateral system is based on known techniques for turning heat into power but they are combined in a novel way. A hot water source in the 100 deg C to 200 deg C range transfers its heat to a special volatile liquid which boils at a low temperature but only to the point where this liquid begins to evaporate. The pressure of this mixture of vapour and liquid is then reduced by passing it through an expansion system. This causes the mixture to "flash" and this expanding vapour rotates a machine which drives a conventional electric generator.

Dr Smith says that his system is 40 to 70 per cent more efficient than conventional Rankine cycles, for example. Both are relatively low efficiency systems, however.

The pilot plant was constructed by Kvaerner Engineering and other equipment provided by Howden Compressors, part of the James Howden group. Mr Peter Kalms, Solmecs' chairman hopes that these companies will participate in full scale plants.

Solmecs has spent about US$5m on the development of various energy conversion of which $3m has come from both Israeli and UK government funding.

*Closing prices, November 2*

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 23½ | 13¼ | AAR | .48 | 2.2 | 13 | 682 | 22½ | 21½ | 21¾ | -¼ |
| 33½ | 9¼ | AGS | | | 9 | 117 | 12¾ | 12⅝ | 12⅝ | -⅛ |
| 22 | 13½ | AMCA | n.1 | 6.6 | | 4 | 15¼ | 15¼ | 15¼ | +¼ |
| 18⅞ | 13⅛ | AM/F | .50 | 3.2 | 67 | 107 | 15⅝ | 15⅜ | 15⅜ | +⅛ |
| 41¼ | 24¼ | AMR | | | 5 | 6120 | 32¾ | 32¼ | 32½ | -⅛ |
| 20⅝ | 18¼ | AMR | pf2.18 | 11 | | 7 | 19⅝ | 19⅝ | 19⅝ | -¼ |
| 41½ | 27½ | AMR | pf2.13 | 6.3 | | 803 | 34⅛ | 33⅝ | 33⅝ | -½ |
| 16¼ | 8½ | APL | | | 3 | 9 | 12½ | 12⅜ | 12⅜ | -⅛ |
| 68⅞ | 40¼ | ARA | 2.10 | 3.0 | 14 | 625 | u69¼ | 68⅞ | 68⅞ | +⅛ |
| 69¾ | 44½ | ASA | 3a | 5.1 | | 1155 | 58½ | 58¼ | 58½ | +2 |
| 30⅛ | 16½ | AVX | .32 | 1.7 | 11 | 149 | 19⅜ | 19 | 19 | -⅛ |
| 51½ | 36¼ | AbtLab | 1.20 | 2.9 | 13 | 2742 | 41½ | 40⅝ | 40⅝ | +⅛ |
| 23⅛ | 16⅛ | AccoWd | .5 | | 18 | 72 | 21⅝ | 21½ | 21½ | +⅛ |
| 27¼ | 12½ | AcmeC | .40 | 2.6 | | 66 | 15¼ | 15⅛ | 15⅛ | -⅛ |
| 12⅛ | 8¼ | AcmeE | .32b | 3.3 | 14 | 1 | 9¾ | 9¾ | 9¾ | |
| 24⅞ | 11 | AdmDg | .04 | .2 | 13 | 1 | 24¼ | 24¼ | 24¼ | |
| 18⅞ | 15 | AdaEx | 2.11e | 13 | | 55 | 16⅛ | 16⅛ | 16⅛ | |
| 18⅞ | 11⅞ | AdmMl | .28 | 1.8 | 8 | 4 | 15⅝ | 15⅝ | 15⅝ | +⅛ |
| 22 | 13½ | AdvSys | .81t | 5.5 | 14 | 131 | 14⅞ | 14⅝ | 14⅝ | -⅛ |
| 41⅞ | 25⅛ | AMD | | | 13 | 14161 | 30⅛ | 29¾ | 29⅝ | -1 |
| 14⅝ | 7⅜ | Advest | .12 | 1.3 | | 26 | 9¼ | 9 | 9 | |
| 17⅞ | 9⅝ | Aeflex | | | 11 | 30 | 12 | 11½ | 12 | +⅛ |
| 39 | 27¼ | AetnLf | 2.64 | 7.4 | 30 | 1518 | 36 | 35½ | 35⅝ | -¼ |
| 58¾ | 52⅜ | AetL | pf5.78e | 11 | | 40 | 54¾ | 54⅝ | 54¾ | -¼ |
| 34½ | 15¾ | Ahmns | 1.20 | 4.9 | 11 | 2194 | 24⅝ | 24 | 24⅝ | |
| 5½ | 2⅝ | Aileen | | | | 36 | 2⅝ | 2½ | 2½ | -⅛ |
| 45⅞ | 36½ | AirPrd | 1.20 | 2.7 | 10 | 808 | 44⅞ | 44¼ | 44¼ | -⅛ |
| 30⅞ | 13 | AirbFrt | .60 | 3.0 | 11 | v134 | 20⅛ | 19¾ | 19⅞ | +¼ |
| 3⅞ | 1⅝ | AlaMoa | .50e | 14 | | 31 | 3⅝ | 3½ | 3½ | -⅛ |

Continued on Page 23

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# AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

*Closing prices, November 2*

Continued on Page 24

# NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

X—Y—Z

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close | Ch'ge |
|---|---|---|---|---|---|---|---|---|---|---|
| 52⅞ | 33¼ | Xerox | 3 | 8.4 | 10 | 2523 | 35⅞ | 35⅛ | 35⅞ | −⅛ |
| 51½ | 45¼ | Xerox | pf5.45 | 11 | | 715 | 50 | 50 | 50 | −⅛ |
| 37 | 19 | XTRA | | 2.4 | 10 | 7 | 27⅛ | 27⅛ | 27⅛ | −⅛ |
| 33⅞ | 24 | ZaleCp | 1.32 | 4.8 | 9 | 41 | 27⅛ | 27⅛ | 27½ | −⅛ |
| 24⅞ | 15¼ | Zapata | .84 | 5.1 | 12 | 469 | 16⅞ | 16⅛ | 16½ | −⅛ |
| 49 | 28¼ | Zayre | .40b | .9 | 13 | 671 | 47½ | 46¼ | 47 | |
| 38⅝ | 20 | ZenithE | | | 8 | 2005 | 24 | 23 | 23 | −⅞ |
| 27⅞ | 18 | Zero | s | [illegible] | 16 | 48 | 22⅛ | 21⅞ | 21⅞ | −⅛ |
| 34 | 21½ | Zurnin | 1.32 | 5.6 | 10 | [illegible] | 24 | 23⅞ | 23⅞ | −⅛ |

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a—dividend also extra(s). b—annual rate of dividend plus stock dividend. c—liquidating dividend. cld—called. d—new yearly low. e—dividend declared or paid in preceding 12 months. g—dividend in Canadian funds, subject to 15% non-residence tax. i—dividend declared after split-up or stock dividend. j—dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k—dividend declared or paid this year, an accumulative issue with dividends in arrears. n—new issue in the past 52 weeks. The high-low range begins with the start of trading. nd—next day delivery. P/E—price-earnings ratio. r—dividend declared or paid in preceding 12 months, plus stock dividend. s—stock split. Dividends begins with date of split. sls—sales. t—dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u—new yearly high. v—trading halted. vi—in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd—when distributed. wi—when issued. ww—with warrants. x—ex-dividend or ex-rights. xdis—ex-distribution. xw—without warrants. y—ex-dividend and sales in full. yld—yield. z—sales in full.

# WORLD STOCK MARKETS

## OVER-THE-COUNTER *Nasdaq national market, Closing prices, November 2*

[illegible]

Continued on Page 25

## AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

[illegible]

## CANADA

### TORONTO
*Closing prices November 2*

[illegible]

### MONTREAL
*Closing prices November 2*

[illegible]

## AUSTRIA

| 1984 High | Low | Nov. 2 | Price % |
|---|---|---|---|
| 222 | 208 | Credit'stalt Pfd. | 216 |
| 342 | 318 | Goesser | 329 |
| 410 | 381 | Interunfall | 388 |
| 216 | 203 | Laenderbank | 215 |
| 389 | 300 | Perlmooser | 352 |
| 162 | 139 | Steyer-Daimler | 149 |
| 282 | 206 | Veitscher Mag | 244 |

## BELGIUM/LUXEMBOURG

| 1984 High | Low | Nov. 1 | Price Frs. |
|---|---|---|---|
| 2,085 | 1,740 | B.B.L. | 1,840 |
| 5,000 | 3,105 | Bekaert B. | 4,900 |
| 2,800 | 2,010 | Ciment CBR | 2,690 |
| 328 | 175 | Cockerill | 295 |
| 6,050 | 4,750 | Delhaize | 6,050 |
| 2,920 | 2,290 | EBES | 2,850 |
| 6,700 | 5,650 | Electrobel | 6,580 |
| 2,425 | 1,800 | Fabrique Nat | 2,190 |
| 3,595 | 3,060 | GB Inno BM | 3,350 |
| 2,800 | 2,120 | GBL (Brux) | 2,335 |
| 3,935 | 2,970 | Gevaert | 3,710 |
| 6,480 | 4,660 | Hoboken | 6,320 |
| 3,000 | 1,805 | Intercom | 2,155 |
| 7,610 | 6,280 | Kredietbank | 7,610 |
| 10,350 | 6,960 | Pan Hldgs | 9,950 |
| 8,210 | 6,010 | Petrofina | 7,400 |
| 9,900 | 7,320 | Royale Belge | 9,800 |
| 3,500 | 2,885 | Soc. Gen. Banq | 3,260 |
| 1,940 | 1,600 | Soc Gen. Belge | 1,855 |
| 8,090 | 5,190 | Sofina | 7,960 |
| 4,500 | 3,430 | Solvay | 4,410 |
| 1,520 | 1,050 | Stanwick Intl. | 1,480 |
| 4,300 | 3,125 | Tractionel | 4,275 |
| 5,490 | 3,975 | UCB | 5,380 |
| 2,660 | 1,866 | Wagon Lits | 2,660 |

## DENMARK

| 1984 High | Low | Nov. 2 | Price Knr. % |
|---|---|---|---|
| 382 | 216 | Andelsbanken | 274 |
| 780 | 510 | Baltic Skand | 565 |
| 350 | 207 | CopHandelsbank | 280 |
| 850 | 535 | D. Sukkerfab. | 645 |
| 335 | 206 | Danske Bank | 272 |
| 1,900 | 930 | De Danske Luft. | 1100 |
| 218 | 153 | East Asiatic | 179 |
| 1,250 | 720 | Forenede Brygg. | 760 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## FRANCE

| 1984 High | Low | Nov. 2 | Price Frs. |
|---|---|---|---|
| [illegible] | [illegible] | Emprunt 4½% 1973 | [illegible] |
| 10,020 | 8,890 | Emprunt 7% 1973 | 9,005 |
| 244 | 202 | Accor | 240.5 |
| 578 | 497 | Air Liquide | 574 |
| 519 | 375 | BIC | 513 |
| 1,995 | 1,416 | Bongrain | 1,865 |
| 856 | 560 | Bouygues | 840 |
| 2,886 | 2,401 | BSN Gervais | 2,429 |
| 1,556 | 1,012 | CIT Alcatel | 1,268 |
| 1,915 | 1,005 | Carrefour | 1,749 |
| 1,145 | 774 | Club Mediter | 1,065 |
| 600 | 427 | Cie Bancaire | 578 |
| 262 | 207 | Cofimeg | 225 |
| 2,300 | 2,275 | Damart | 2,275 |
| 1,150 | 780 | Darty | 1,140 |
| 941 | 593 | Dumez S.A | 661 |
| 598 | 488 | Equx (Cie Gen.) | 523 |
| 278 | 179 | Elf-Aquitaine | 235 |
| 3,020 | 2,195 | Essilor | 2,900 |
| 705 | 537 | Gen. Occidentale | 682 |
| 97.4 | 63.9 | Imetal | 84.7 |
| 393.5 | 300 | Lafarge-Coppee | 373 |
| 2,600 | 2,101 | L'Oreal | 2,527 |
| 2,340 | 1,778 | Legrand | 1,942 |
| 357 | 140 | Maisons Phenix | 166.8 |
| 2,050 | 1,300 | Matra S.A. | 1,859 |
| 1,084 | 740 | Michelin B. | 850 |
| 1,913 | 1,378 | Midi (Cie) | 1,860 |
| 1,871 | 1,313 | Moet-Hennessy | 1,817 |
| 140.5 | 90 | Moulinex | 95.8 |
| 68.9 | 43.7 | Nord Est. | 68.9 |
| 846 | 662 | Pernod Ricard | 744 |
| 574 | 462 | Perrier | 519 |
| 313 | 184.6 | Petroles Fra. | 231.5 |
| 257.6 | 179.5 | Peugeot S.A. | 210 |
| 176 | 130.2 | Printemps (Au.) | 169.5 |
| 410 | 207 | Radiotech | 239.8 |
| 2,340 | 1,000 | Redoute | 1,205 |
| 1,710 | 726 | Roussel-Uclaf | 1,541 |
| 275 | 255 | Sefimeg | 265 |
| 1,735 | 1,180 | Skis Rossignol | 1,725 |
| 1,980 | 1,470 | Telemech Elect. | 1,955 |
| 394.8 | 239 | Thomson (CSF) | 383 |
| 358 | 205 | Valeo | 230 |

## GERMANY

| 1984 High | Low | Nov. 2 | Price Dm |
|---|---|---|---|
| 115.7 | 80 | AEG-Telef. | 104.0 |
| 1,147 | 726 | Allianz Vers | 106.9 |
| 179.2 | 146.5 | BASF | 170.1 |
| 186.5 | 152.2 | Bayer | 180.8 |
| 304 | 247 | Bayern-Hypo | 303 |
| 358 | 287 | Bayern-Verein | 327.0 |
| 318 | 219 | BHF-Bank | 269 |
| 453 | 290.5 | BMW | 384 |
| 247.6 | 194 | Brown Boveri | 205.5 |
| 190 | 136.5 | Commerzbank | 171 |
| 141.8 | 107.4 | Conti Gummi | 122.5 |
| 638 | 515 | Daimler-Benz | 580.5 |
| 412 | 338 | Degussa | 371 |
| 195.5 | 136.5 | D'sche Babcock | 150.5 |
| 382.6 | 302.1 | Deutsche Bank | 375.8 |
| 182.8 | 138.5 | Dresdner Bank | 181.5 |
| 166.7 | 126.5 | GHH | 158.0 |
| 623 | 450 | Hochtief | 472 |
| 195.5 | 155.5 | Hoechst | 178 |
| 132.5 | 87.5 | Hoesch Werke | 107.0 |
| 466 | 360 | Holzmann (P) | 360.0 |
| 203 | 161 | Horten | 173.5 |
| 291 | 210 | Hussel | 283 |
| 283 | 219.8 | Karstadt | 234.0 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## AUSTRALIA

| 1984 High | Low | Nov. 2 | Price Aust. $ |
|---|---|---|---|
| 5.93 | 4.27 | ANZ Group | 5.4 |
| 1.01 | 0.50 | Alliance Oil Dev. | 0.96 |
| 2.11 | 1.40 | Ampol Pet. | 1.8 |
| 1.05 | 0.80 | Ashton | 0.87 |
| 1.97 | 1.65 | Aust. Cons. Ind. | 1.93 |
| 3.18 | 2.35 | Aust Guarantee | 3.18 |
| 2.75 | 1.90 | Aust. Nat. Inds. | 2.7 |
| 2.46 | 1.80 | Aust. Paper | 2.34 |
| 6.40 | 3.90 | Bell Group | 5.44 |
| 6.90 | 3.50 | Bell Res. | 4.7 |
| 1.62 | 1.20 | Bond Corp Hldgs | 1.6 |
| 4.00 | 3.02 | Boral | 3.32 |
| 2.72 | 1.48 | Bougainville | 1.85 |
| 3.60 | 2.50 | Brambles Ind. | 3.5 |
| 3.62 | 2.1 | Bridge Oil | 2.53 |
| 12.16 | 9.24 | B.H. Prop. | 10.3 |
| 6.20 | 4.46 | CRA | 5.24 |
| 4.28 | 2.96 | CSR | 3.04 |
| 4.56 | 3.82 | Carlton & Utd | 4.30 |
| 5.56 | 4.08 | Castlemaine Tys | 5.16 |
| 4.20 | 3.30 | Coles (G.J.) | 4.1 |
| 3.22 | 2.05 | Comalco "A" | 2.4 |
| 1.30 | 0.37 | Consolidated Pet | 0.51 |
| 1.6 | 1.10 | Costain Aust. | 1.35 |
| 2.00 | 1.48 | Dunlop Aust. | 1.86 |
| 6.46 | 4.25 | E.Z. Inds | 6.4 |
| 6.00 | 3.50 | Elders IXL | 5.0 |
| 1.80 | 1.30 | Energy Res. | 1.52 |
| 2.40 | 1.86 | Gen. Prop. Trust | 2.35 |
| 3.95 | 2.86 | Hardie (James) | 3.42 |
| 3.3 | 1.90 | Hartogen Energy | 2.2 |
| 4.15 | 2.95 | Herald W'y Times | 4.15 |
| 2.35 | 1.75 | ICI Aust | 2.2 |
| 0.45 | 0.18 | Jimberlana F.P. | 0.45 |
| 0.20 | 0.11 | Kiaora Gold | 0.13 |
| 6.5 | 4.46 | Lend Lease | 5.6 |
| 3.98 | 2.5 | MIM | 2.83 |
| 3.86 | 2.12 | Mayne Nikless | 3.65 |
| 2.15 | 1.59 | Myer Emporium | 1.86 |
| 3.92 | 3.00 | Nat. Aust. Bank | 3.6 |
| 12.60 | 8.0 | News | 9.2 |
| 6.2 | 2.45 | Nicholas Kiwi | 5.1 |
| 3.32 | 2.05 | North Bkn Hill | 2.3 |
| 1.11 | 0.70 | Oakbridge | 0.76 |
| 1.48 | 0.95 | Pancont'l | 1.17 |
| 2.09 | 1.1 | Pioneer Conc | 1.65 |
| 5.10 | 2.70 | Posiedon | 3.25 |
| 1.21 | 0.94 | Queensland Coal | 1.16 |
| 3.0 | 2.4 | Reckitt & Coln. | 3.0 |
| 1.40 | 1.01 | Repco | 1.28 |
| 6.20 | 5.48 | Santos | 6.4 |
| 4.40 | 3.20 | Smith (Howard) | 3.94 |
| 2.46 | 1.63 | Thos. Natwide | 1.86 |
| 5.6 | 4.96 | Tooth | 5.6 |
| 4.05 | 2.55 | Vamgas | 3.65 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## ITALY

| 1984 High | Low | Nov. 2 | Price Lire |
|---|---|---|---|
| [illegible] | [illegible] | [illegible] | 15,880 |
| [illegible] | [illegible] | [illegible] | 113.75 |
| [illegible] | [illegible] | [illegible] | 2,168 |
| [illegible] | [illegible] | Credito Varesino | 3,870 |
| 4,625 | 1,875 | Fiat | 1,791 |
| 59 | 27 | Finsider | 48 |
| 39,300 | 29,070 | Generali (Assc.) | 31,895 |
| 3,485 | 2,621 | Invest | 2,823 |
| 56,500 | 40,500 | Italcementi | 56,100 |
| 487 | 345 | La Rinascenti | 463 |
| 1,284 | 1,112 | Montedison | 1,170 |
| 6,080 | 3,865 | Olivetti | 6,050 |
| 3,315 | 2,464 | Pirelli Co. | 3,010 |
| 1,974 | 1,419 | Pirelli Spa | 1,769 |
| 1,887 | 1,336 | Snia BPD | 1,875 |
| 14,600 | 10,750 | Toro Assic | 11,950 |
| 11,310 | 8,050 | do. Pref | 8,760 |

## NETHERLANDS

| 1984 High | Low | Nov. 2 | Price Fls |
|---|---|---|---|
| 215 | 158 | ACF Holding | 188 |
| 146 | 107 | AEGON | 135 |
| 236 | 168.5 | Alhold | 187 |
| 123.2 | 77 | AKZO | 102.4 |
| 445 | 302 | ABN | 345 |
| 191.1 | 141.9 | AMEV | 191.1 |
| 82 | 51.6 | AMRO | 66.2 |
| 222 | 151 | Bredero Cert. | 163 |
| 32 | 8.8 | Bos Kalis Westm | 14.1 |
| 75 | 61 | Buehrmann-Tet. | 69.3 |
| 41.5 | 30.1 | Calland Hldgs | 31.3 |
| 161.6 | 124 | Dordtsche Pet'm | 152.4 |
| 115.4 | 73 | Elsevier-NDU nv. | 115.6 |
| 70.0 | 41 | Fokker | 69.7 |
| 173.6 | 130.7 | Gist-Brocades | 162.8 |
| 157 | 115 | Heineken | 142.3 |
| 66.4 | 41.6 | Hoogovens | 65 |
| 44.6 | 32.6 | Int-Mueller | 37 |
| 46.5 | 30.0 | KLM | 44.2xc |
| 49.0 | 34.1 | Naarden | 48.6 |
| 243.3 | 196 | Nat Ned Cert | 243.5 |
| 198 | 123 | Ned Mid Bank | 149.5 |
| 155.4 | 99.7 | Nedlloyd | 152.6 |
| 275.5 | 212 | Oce Grinten | 265 |
| 34.5 | 24.4 | Ommeren (Van) | 28.7 |
| 77 | 53 | Pakhoed | 60.2 |
| 57.3 | 41.7 | Philips | 56.7 |
| 70 | 58.3 | Robeco | 67.3 |
| 139 | 130.1 | Rodamco | 134.7 |
| 67.4 | 65.3 | Rolinco | 63.4 |
| 45.5 | 39.6 | Rorento | 43 |
| 180.3 | 136.2 | Royal Dutch | 170.7 |
| 313.2 | 252.5 | Unilever | 295.5 |
| 140 | 90 | VMF Stork | 140 |
| 199.8 | 137 | VNU | 189.5 |
| 145.5 | 72.6 | West Utr Bank | 106.4 |

## SWEDEN

| 1984 High | Low | Nov. 2 | Price Kronor |
|---|---|---|---|
| 400 | 330 | AGA | 350 |
| 302 | 178 | Alfa-Laval | 192 |
| 480 | 280 | ASEA (Free) | 365 |
| 540 | 365 | Astra (Free) | 365 |
| 141 | 99 | Atlas Copco | 103 |
| 531 | 232 | Cardo (Free) | 240 |
| 192 | 115 | Cellulosa | 116 |
| 288 | 229 | Electrolux B | 230 |
| 390 | 296 | Ericsson | 357 |
| 370 | 275 | Esselte | 290 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## HONG KONG

| 1984 High | Low | Nov. 2 | Price H.K.$ |
|---|---|---|---|
| 29.7 | 17.8 | Bank East Asia | 21 |
| 10.6 | 6.15 | Cheung Kong | 8.35 |
| 16.8 | 9.95 | China Light | 15.4 |
| 4.35 | 1.14 | Evergo | 1.5 |
| 47.0 | 26.9 | Hang Seng Bank | 36.5 |
| 7.4 | 5.05 | HK Electric | 6.0 |
| 4.7 | 2.75 | HK Kowloon Wh. | 4.25 |
| 4.3 | 2.02 | HK Land | 3.3 |
| 7.76 | 5.2 | HK Shanghai Bk. | 6.65 |
| 49 | 36.5 | HK Telephone | 43 |
| 15.5 | 8.4 | Hutchison Wpa | 14.4 |
| 14.3 | 5.8 | Jardine Math | 7.6 |
| 4.02 | 2.25 | New World Dev. | 3.95 |
| 2.87 | 1.95 | Orient O'seas | 2.57 |
| 4.0 | 2.02 | O'seas Trust Bnk | 2.55 |
| 8.3 | 4.12 | SHK Props. | 6.9 |
| 2.60 | 1.44 | Shell Elect. | 2.05 |
| 21.0 | 12.9 | Swire Pac A. | 19 |
| 4.87 | 2.65 | TV B | 4.87 |
| 4.2 | 2.85 | Wheel'k Mard A. | 3.57 |
| 2.5 | 1.46 | Wheel'k Maritme | 1.46 |
| 2.6 | 1.37 | World Int. H'ldgs | 1.45 |

## JAPAN

| 1984 High | Low | Nov. 2 | Price Yen |
|---|---|---|---|
| 1,270 | 980 | Ajinomoto | 1,130 |
| 2,860 | 1,830 | Alps Electric | 2,170 |
| 1,410 | 985 | Amada | 1,100 |
| 642 | 406 | Asahi Chem. | 562 |
| 870 | 655 | Asahi Glass | 833 |
| 653 | 526 | Bridgestone | 585 |
| 1,670 | 1,070 | Canon | 1,500 |
| 1,790 | 1,080 | Casio Comp. | 1,660 |
| 1,170 | 940 | Chugai Pharm. | 1,110 |
| 709 | 446 | Citizen | 606 |
| 737 | 625 | Daiei | 645 |
| 1,180 | 875 | Dai Nippon Ptg | 1,050 |
| 583 | 435 | Daiwa House | 524 |
| 390 | 307 | Ebara | 396 |
| 1,400 | 965 | Eisai | 1,330 |
| 12,900 | 7,385 | Fanuc | 11,700 |
| 1,150 | 500 | Fuji Bank | 1,070 |
| 2,310 | 1,450 | Fuji Film | 1,670 |
| 1,210 | 752 | Fujisawa | 1,090 |
| 1,540 | 1,080 | Fujitsu | 1,490 |
| 2,080 | 1,490 | Green Cross | 1,710 |
| [illegible] | [illegible] | [illegible] | [illegible] |
| 340 | 274 | Itoh (C) | 291 |
| 2,500 | 1,740 | Ito-Yokado | 2,450 |
| 2,420 | 1,180 | Iwatsu | 1,320 |
| 404 | 314 | JACCS | 317 |
| 5,120 | 2,460 | JAL | 4,670 |
| 884 | 764 | Jusco | 764 |
| 330 | 265 | Kajima | 270 |
| 845 | 660 | Kao Soap | 792 |
| 761 | 580 | Kashiyama | 630 |
| 625 | 517 | Kirin | 556 |
| 1,150 | 890 | Kokuyo | 916 |
| 545 | 433 | Komatsu | 433 |
| 765 | 532 | Konishiroku | 582 |
| 343 | 295 | Kubota | 317 |
| 503 | 416 | Kumagai | 424 |
| 8,440 | 5,250 | Kyoto Ceramic | 7,870 |
| 535 | 380 | Maeda Const. | 468 |
| 1,650 | 1,080 | Makino Milling | 1,360 |
| 1,320 | 887 | Makita | 1,060 |
| 415 | 265 | Marubeni | 315 |
| 700 | 575 | Marudai | 690 |
| 1,460 | 1,000 | Marui | 1,100 |
| 2,010 | 1,430 | MEI | 1,630 |
| 791 | 608 | M'ta Elec. Works | 641 |
| 1,150 | 500 | M'bishi Bank | 1,060 |
| 589 | 501 | M'bishi Corp | 517 |
| 449 | 361 | M'bishi Elect. | 422 |
| 560 | 446 | M'bishi Estate | 496 |
| 275 | 216 | MHI | 238 |
| 390 | 321 | Mitsui Co. | 325 |
| 778 | 606 | Mitsui Estate | 681 |
| 406 | 334 | Mitsukoshi | 345 |
| 916 | 620 | NGK Insulators | 898 |
| 232 | 191 | Nihon Cement | 195 |
| 1,630 | 1,300 | Nippon Denso | 1,460 |
| 1,540 | 1,050 | Nippon Elect | 1,320 |
| 345 | 280 | Nippon Express | 317 |
| 1,460 | 600 | Nippon Gakki | 1,280 |
| 162 | 133 | Nippon Kokan | 139 |
| 1,220 | 835 | Nippon Oil | 907 |
| 730 | 490 | Nippon Seiko | 721 |
| 704 | 600 | Nippon Shimpan | 650 |
| 185 | 143 | Nippon Steel | 154 |
| 365 | 304 | Nippon Suisan | 330 |
| 16,500 | 6,990 | NTV | 13,560 |
| 262 | 213 | Nippon Yusen | 228 |
| 765 | 500 | Nissan Motor | 602 |
| 631 | 410 | Nisshin Flour | 485 |
| 232 | 156 | Nisshin Steel | 172 |
| 950 | 614 | Nomura | 758 |
| 1,210 | 830 | Olympus | 1,200 |
| 4,160 | 2,400 | Orient Leasing | 3,500 |
| 3,850 | 2,280 | Pioneer | 2,280 |
| 760 | 614 | Renown | 635 |
| 1,190 | 809 | Ricoh | 1,080 |
| 1,020 | 655 | Sankyo | 961 |
| 586 | 456 | Sanyo Elect. | 520 |
| 529 | 358 | Sapporo | 400 |
| 626 | 540 | Sekisui Prefab | 575 |
| 9,200 | 7,270 | Seven Eleven | 8,790 |
| 1,410 | 991 | Sharp | 1,150 |
| 748 | 486 | Shimadzu | 740 |
| 770 | 590 | Shionogi | 701 |
| 1,230 | 945 | Shiseido | 1,140 |
| 4,170 | 3,200 | Sony | 3,880 |
| 1,150 | 570 | Stanley | 934 |
| 1,290 | 600 | Sumitomo Bank | 1,270 |
| 1,000 | 745 | S'tomo Elect. | 933 |
| 582 | 355 | S'tomo Marine | 550 |
| 196 | 143 | S'tomo Metal | 151 |
| 566 | 438 | Taihei Dengyo | 530 |
| 238 | 185 | Taisei Corp | 198 |
| 1,070 | 871 | Taisho Pharm. | 940 |
| 850 | 668 | Takeda | 820 |
| 7,080 | 4,600 | TDK | 5,150 |
| 456 | 336 | Teijin | 407 |
| 725 | 650 | Teikoku Oil | 685 |
| [illegible] | [illegible] | [illegible] | [illegible] |

## SWITZERLAND

[illegible]

## NORWAY

[illegible]

## SINGAPORE

[illegible]

## SPAIN

[illegible]

## SOUTH AFRICA

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

## OVER-THE-COUNTER

Continued from Page 24

| Stock | Sales (Hunds) | High | Low | Last | Chng | Stock | Sales (Hunds) | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| N—N | | | | | | T—T | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| O—O | | | | | | U—U | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| P—Q | | | | | | V—V | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| R—R | | | | | | W—W | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| S—S | | | | | | X—Y—Z | | | | | |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

## APPOINTMENTS

# Royal Bank of Scotland posts

With less than a year to go before the merger of its two constituent banks, THE ROYAL BANK OF SCOTLAND GROUP has made a number of changes at the top which will allow those executive directors already appointed to run the merged bank to gain experience of its sister bank. On January 14, Mr Charles Winter, who has been designated chief executive of the new merged bank, will be appointed deputy chief executive of the group. Two months later, when Mr Maurice Davenport, managing director of Williams and Glyn's, retires at 60, Mr Winter will move to London to become managing director of Williams and Glyn's Bank for the six months prior to merger date, October 1, 1985. Also on January 14, Mr H. E. (Rob) Farley, head of domestic banking in Williams and Glyn's Bank, who will become chief general manager of the merged bank, moves from London to Edinburgh to become managing director of The Royal Bank of Scotland. Other bankers involved in the moves include Mr Bob Maiden, currently an executive director in Edinburgh, who later this year becomes head of domestic banking at Williams and Glyn's. On the accounting side, Mr David Coulter, at present group finance controller, will take over the accounting function in The Royal Bank of Scotland, and by May 1 will also include Williams and Glyn's in his responsibilities, releasing Mr Bob Riding to devote himself full-time to the Treasury function, which he will control in the new merged bank.

★

Mr Derek E. Bernasconi has joined the partnership of GRENFELL AND COLEGRAVE, stockbrokers.

★

Mr Alan Morgan has been appointed foreign exchange manager for DEN DANSKE BANK, London branch.

★

Mr Kenneth Oxley is to take control of the SKIPTON BUILDING SOCIETY'S network of branches and agencies. He has been responsible for the development of the Society's computer systems since 1972 and was appointed an assistant general manager in 1978. Mr John G. Goodfellow has become assistant general manager (computers). Mr Goodfellow is asistant general manager (computer services) with the National and Provincial Building Society.

★

Mr A. C. J. M. Krielen has been appointed a director of POWELL DUFFRYN ENGINEERING. He is managing director of Geesink BV, refuse collection manufacturing subsidiary of Powell Duffryn, based in Emmeloord, Holland.

★

Mr Malcolm B. Smith has been appointed group company secretary of WARD BROTHERS HOLDINGS, from November 1, 1984. Mr Smith, who is also company secretary of Ward Brothers (Sherburn) takes over from Mr Raymond P. Metcalfe who was a director and company secretary. Mr Metcalfe retires from both positions, but will continue with the group in a consultative capacity.

★

Mr David Moseley has been appointed managing director of SINTROM ELECTRONICS. He succeeds Mr Tom Dalzell, the founder, who continues as chairman. Formerly sales director, Mr Moseley will be responsible for spearheading and co-ordinating the overall future development of Sintrom Electronics.

★

FREIGHTLINERS has appointed Mr Clive Durrant to its board. He has been director of marketing since May 1982.

★

Mr Graham Jones has been appointed general manager of PRESTEL, British Telecom's public viewdata service, to succeed Mr Frank Burgess who is retiring next year. Mr Jones, currently managing director of Waterlow Publishers and Pergamon InfoLine, will join Prestel on January 1.

★

KINGS TOWN PHOTOCODES has appointed Mrs Sue Wilson as administration and personnel director. She has been with Kings Town Photocodes for four year as office manager, where she has been responsible for general administration and customer relations.

★

Mr Richard Elliot-Square, founder and managing director of FIRST VENTURE CAPITAL CORPORATION, has resigned from the board, by mutual consent, to devote more time to his property interests. He has also disposed of his substantial shareholding in the company. Mr A. T. Prior of Prior Harwin Securities, recently appointed to the board, and Mr I. Jefferson will act as joint managing directors in succession to Mr Elliot-Square.

## CONSTRUCTION CONTRACTS

# £8m for Balfour Beatty

British Aerospace has placed a £4.6m order with BALFOUR BEATTY CONSTRUCTION for an electronic and electro-mechanical laboratory at Bracknell to be built on a design and construct basis. The five-storey brick clad reinforced concrete framed building will be 8,640 sq metres in area. Work is to be completed in 18 months. Four shop units will be constructed for Hill Samuel and Co at Wallesey, under a £490,000 contract. The building will be steel-framed with a mansard roof and be built in 34 weeks. A contract worth £430,000 for completion in six months has been let to Balfour Beatty at Aintree Racecourse, Liverpool, for a new viewing mound, foundations for a temporary stand, and ground works for hospitality tents and refreshment areas. Imperial Chemical Industries has placed a £500,000 contract for demolition and civil works at the Castner-Kellner works in preparation for an anhydrous caustic plant. Reconstruction of a six-storey office block in central Manchester will be undertaken for Norwich Union under a £1.8m contract. The existing facade will be retained and built into the new reinforced concrete frame. Further work at the optical fibres factory at Deeside valued at £200,000 will be carried out during a 27 week programme.

★

TILBURY GROUP has won a batch of orders worth over £6.2m. Tilbury Roadstone has landed £2.9m of this total through a two year contract from Cementation Construction for black-top surfacing work on section of the A12 Chelmsford by-pass. The remaining £3.3m comes from Tilbury Construction, whose biggest contract is one of £1.6m for the construction of two large underground reinforced concrete storm water tanks together with inlet and overflow chambers, culverts and sewers. This is stage one of the Muswell Stream Flood Relief scheme and comes from the Borough of Haringey as agents for the Thames Water Authority. Work is scheduled to last for 78 weeks. A further £840,000 comes from a continuation of an existing contract at the Mobil Oil Coryton refinery in Essex, where Tilbury will be constructing sheet pile bund walls and ancillary ground works. This brings the total value of this contract to £1.4m.

★

ORGANISED OFFICE DESIGNS has won a project to plan and design the new civic offices for Rochester Upon Medway City Council. The council has acquired a riverside site which faces the city's castle across the River Medway. Buildings on the site will be refurbished to reflect their differing architectural styles. One, the Victorian Bridge House, will be refitted and converted into the new mayor's parlour. The value of the total project is £2.7m. The building work will include a civic suite, committee rooms, stores and reception areas. G. E. WALLIS has the £2.656m building contract. At present housed in seven locations in Strood and Chatham, all departments under the new scheme will be centralised with the chief executive at Strood. The old buildings are to be disposed of except the town hall at Chatham. Work is scheduled for completion in September 1985.



# Conder has £4m Wolves work

CONDER (MIDLANDS), Burton-on-Trent, has a £4m contract for the first phase of £22m worth of work for the redevelopment of Wolverhampton Wanderers Molyneaux Ground. The contract involves factory units, office accommodation, and work on news stands and housing.

★

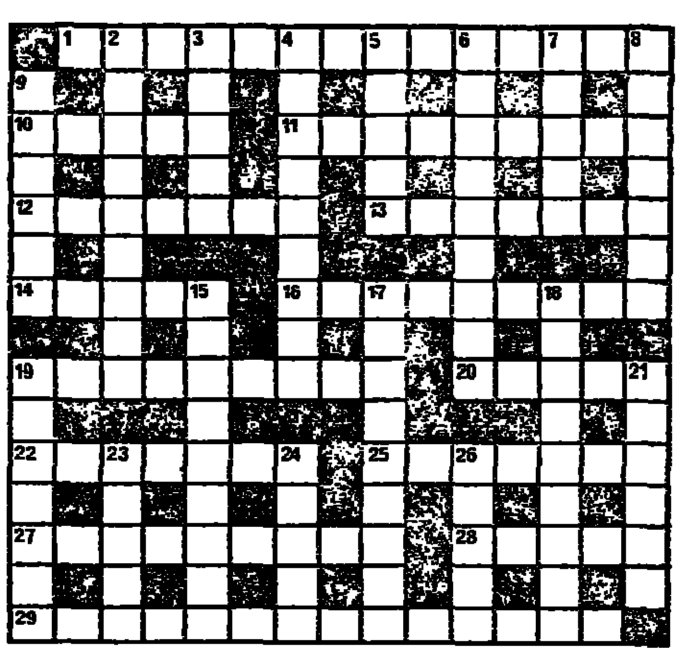
Novotel UK is continuing refurbishment of the newly acquired Cunard International Hotel in Hammersmith by the appointment of COTEBA INTERNATIONAL as project manager for the upgrading of 383 bedrooms with a contract valued at £1.5m. Coteba has already completed a contract worth £1.2m for the public areas of the hotel in a 28 week programme earlier this year. HERMES INTERIORS, Lichfield, also will continue to work at Hammersmith. Having completed refurbishment of the public areas (worth £500,000) Hermes has won £800,000 of the latest bedroom contract. Hermes has been awarded other contracts including a £1.7m private development in Hampstead, extension to Nabisco Brands HQ, Reading, value £250,000, and shopfitting contracts totalling £500,000 for Canon, Readers Digest and British Home Stores.

# AUTHORISED UNIT TRUSTS

# FT UNIT TRUST INFORMATION SERVICE

## INSURANCES

## F.T. CROSSWORD PUZZLE No. 5,561



### ACROSS

1 Reliable means of support (5, 3, 6)
10 It's a pity Peshitta includes these characters (5)
11 Outspoken players take part in programme (9)
12 Barber is a fiddler (7)
13 Italian earth in tract (7)
14 Dissolute woman accepts northern jargon (5)
16 Send down countryman to join goddess (9)
19 Before dogs reach gold, harbinger appears (9)
20 Initially, guns are made under this scale (5)
22 Riding fashion has tendency to rise (7)
25 Hirsute animal died in front of journalist (7)
27 Unusual table with rail having two sides (9)
28 What you are trying to do (5)
29 Dark-room cinder put out by Smollett (8, 6)

### DOWN

2 Gossip that might be 11 (9)
3 A secret hoard in Scotland lifted by Greek author (5)
4 Bars with grime maybe, need a waxy substance (9)
5 It's right across the channel (5)
6 Subordinate reading foreign articles on fish (9)
7 It's up to an artist to get head-dress (5)
8 Sappers unite disorganised body of aides (7)
9 As it's misdealt, bridge player demands stoppage (6)
15 I ate gruel coked by Nazi official (9)
17 Writer you don't understand? (9)
18 Ordered admiral to look at edentate (9)
19 Craftsman provides soft timber (7)
21 Baron working on the farm? (6)
23 Imbricated, it got up and showed the way (5)
24 "With eager thought warbling his .... lay" (Milton) (5)
26 Offence by some beggars only natural (5)

The solution to last Saturday's prize puzzle will be published with names and addresses of winners next Saturday.

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

**World Wide Growth Management**
10a. Boulevard Royal. Luxembourg
WwdeGthF $11.53 — .. —
Inv. Adv.: M&G Inv. Mngt. Ltd.. London.

**Wren Commodity Management Ltd**
10. St George's St, Douglas. IoM. 0624 25015

| | | | | |
|---|---|---|---|---|
| Wren Com Fd | 12.8 | 13.3 | .... | 3.10 |
| Chinese Fd | 59.9 | 62.4 | .... | 1.70 |
| PrecMetlFd | 122.6 | 127.7 | .... | 8.30 |
| VangCmdyFd | 26.1 | 26.8 | .... | 0.00 |
| FinFuturesFd | 32.1 | 33.4 | .... | — |

**Yamaichi Dynamic Mngt Co SA**
10a Boulevard Royal. Luxembourg.
DynmcGthFd $9.55 .... —

# Money Market Trust Funds

| | Nom | Apr | Int Cr | Notice |
|---|---|---|---|---|
| **Mallinhall Ltd** | | | | |
| 36 Berkeley Sq. W1X 5DA. 01-499 6634 | | | | |
| M'hallMnyFd | 10.00 | 10.47 | Qtr | Call |
| **The Money Market Trust** | | | | |
| 63 Qn Victoria St. EC4N 4ST. 01-236 0952 | | | | |
| Call Fund | 10.50 | 10.84 | 6-mth | Call |
| 7-day Fund | 10.47 | 10.81 | 6-mth | 7-day |
| **Oppenheimer Money Management Ltd** | | | | |
| 66 Cannon St. EC4N 6AE. 01-236 1425 | | | | |
| Call Fd | 10.38 | 10.64 | 6-mth | Call |
| MnyMgAc | 10.12 | 10.52 | 3-mth | Call |
| Dollar | 8.50 | 8.68 | 6-mth | 2day |

# Money Market Bank Accounts

| | Nom | Apr | Int Cr | Notice |
|---|---|---|---|---|
| **Aitken Hume** | | | | |
| 30 City Road. EC1Y 2AY. 01-638 6070 | | | | |
| Treasury Acc | 10.25 | 10.65 | Qtr | Call |
| #MainChAc | 10.125 | 10.61 | Mth | Call |
| **Bank of Scotland** | | | | |
| 38 Threadneedle St. EC2P 2EH. 01-628 8060 | | | | |
| Cheque Acc | 10.10 | 10.58 | Mth | Call |
| **Barclays Prime Account** | | | | |
| PO Box 125. Northampton. 0604 252891 | | | | |
| High Int Chq | 10.25 | 10.65 | Qtr | Call |
| **Britannia Grp of Investment Companies** | | | | |
| 29 Finsbury Circ. EC2M 5QL. 01-588 2777 | | | | |
| Cater Allen | 10.00 | 10.471 | Mth | Call |
| **Charterhouse Japhet plc** | | | | |
| 1 Paternoster Row. EC4M 7DH. 01-248 3999 | | | | |
| Sterling | 10.25 | 10.75 | Mth | Call |
| U.S. Dollar | 9.50 | 10.06 | Mth | Call |
| German Marks | 5.0 | 5.19 | Mth | Call |
| Swiss Francs | 2.0 | 2.05 | Mth | Call |
| Japanese Yen | 5.0 | 5.19 | Mth | Call |
| **Choulartons** | | | | |
| 30 Ashley Rd Altrincham. Cheshire. WA1 2DW. 061-928 9011 | | | | |
| Citequa Acc | 10.56 | 11.09 | Mth | Call |
| **Co-operative Bank** | | | | |
| 78-80 Cornhill EC3. 01-626 6543 Ext 465 | | | | |
| Cheque & Save | 8.50 | 8.77 | Qtr | Call |
| Over £1,000 | 10.00 | 10.38 | Qtr | Call |
| **Dartington & Co Ltd** | | | | |
| Dartington, Totnes. Devon TQ9 6JE. 0803 862271 | | | | |
| Mny Mkt Acc | 10.25 | 10.66 | Qtr | Call |
| **Lombard North Central plc** | | | | |
| 17 Bruton St. W1A 3DH. 01-409 3434 | | | | |
| Notice Dep | 10.50 | 10.78 | Rate | 14-day |
| **M & G Kleinwort Benson** | | | | |
| 91-99 New London Rd. Chelmsford. 0245 51651 | | | | |
| HighIntCqeAc | 10.12 | 10.65 | Daily | Call |
| **Midland Bank plc** | | | | |
| PO Box 2. Sheffield. 0742 20999 Ext 8738 | | | | |
| High Int Chq | 10.00 | 10.38 | Qtr | Call |
| **Save & Prosper/Robert Fleming** | | | | |
| 28 Western Rd. Romford RM1 3LB. 0708 66966 | | | | |
| HighIntSedAc | 9.62 | 10.10 | Daily | Call |
| Premier Acc | 9.62 | 10.10 | Daily | Call |
| **Tyndall & Co** | | | | |
| 29-33 Princess Victoria Street, Bristol BS8 4BX. 0272 732241 | | | | |
| Demand Acc | 10.18 | 10.57 | Qtr | Call |
| Money Acc | 10.125 | 10.51 | Qtr | Chq.7 |
| **J. Henry Schroder Wagg & Co Ltd** | | | | |
| Enterprise House, Portsmouth. 0705 827733 | | | | |
| Special Acc | 10.20 | 10.69 | Mth | Call |
| Over £10,000 | 10.45 | 10.97 | [illegible] | [illegible] |

NOTES—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase.

# FT LONDON SHARE INFORMATION SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| Interest Due | | Stock | Price £ | Last xd | Int. | Red. |
|---|---|---|---|---|---|---|
| 22Aug | 22F | Treas. 15pc 1985 | 101 | 16.7 | 14.81 | 9.96 |
| 22S | 22Mar | Exch. 12pc Cnv. '85 | 100¼ | 16.8 | 11.91 | 9.91 |
| 21N | 21My | Treas 3pc 1985 | 96 | 15.10 | 3.11 | 9.99 |
| 15Jan | 15Jul | Treas 11½pc 1985 | 100 | 8.6 | 11.41 | 10.15 |
| 3Mar | 3Se | Treas 8¼pcCnv '85 | 98 | 30.7 | 8.66 | 10.22 |
| 22May | 22N | Exch. 12¼pc 1985 | 101 | 26.10 | 12.03 | 10.41 |
| 25Aug | 25Fb | Exch. 11¼pc '86 | 101 | 19.7 | 11.57 | 10.34 |
| 11Oct | 11Apr | Treas. 10pcCnv 1986 | 98 | 4.9 | 10.03 | 10.23 |
| 19N | 19May | Treas 3pc 1986 | 92 | 15.10 | 3.25 | 8.55 |
| 19Nv | 19My | Exch. 10½pc Cv '86 | 100 | 15.10 | 10.47 | 10.31 |
| 12Dec | 12Jun | Treas 12pc 1986 | 102¼ | 8.5 | 11.74 | 10.41 |
| 10Ja | 10Jul | Treas 8½pc 1984-86‡‡ | 97 | 4.6 | 8.76 | 10.42 |
| 29Ap | 29Oc | Exch. 14pc 1986 | 105 | 24.9 | 13.26 | 10.80 |
| 21May | 21N | Exch. 2½pc 1986 | 87 | 15.10 | 2.86 | 9.44 |
| 22Jul | 22Jan | Exch. 13¾pc 1987 | 104 | 15.6 | 12.69 | 10.90 |
| 10Aug | 10Fb | Treas 10¼pcCv '87 | 98 | 4.7 | 10.40 | 10.93 |
| 24Aug | 24Feb | Exch 2½pc 1987 | 86 | 18.7 | 2.91 | 9.38 |
| 6Oct | 6Apr | Exch. 10½pc 1987 | 99 | 3.9 | 10.61 | 10.97 |
| 1N | 1May | Funding 6½pc '85-87‡‡ | 91½ | 25.9 | 7.10 | 10.47 |
| 12Dec | 12Jne | Treas. 10pc 1987 | 97¾ | 8.5 | 10.23 | 11.01 |
| 14Jan | 14Jly | Treas 3pc 1987 | 84¼ | 7.6 | 3.57 | 9.85 |
| 3May | 3Nov | Treas. 12pc 1987 | 102½ | 27.9 | 11.72 | 11.08 |
| 26Jul | 26Ja | Treas 7¾pc 1985-88‡‡ | 92 | 19.6 | 8.42 | 10.72 |
| 10Nov | 10May | Exch 10½pc '88 | 98 | 4.10 | 10.69 | 11.16 |
| 14Dec | 14Jne | Treas 9¾pc Cv '88 | 95½ | 8.5 | 10.21 | 11.29 |
| 1Jan | 1Jul | Transport 3pc '78-88 | 78 | 25.5 | 3.80 | 10.02 |
| 25Ap | 25Oc | Treas. 9½pc '88 | 94¾ | 18.9 | 10.04 | 11.22 |
| 22Aug | 22Fb | Treas 11½pc 1989 | 100¾ | 16.7 | 11.41 | 11.25 |
| 18 Oct | 18 Apr | Treas 9½pc Cnv. '89 | 94¾ | 11.9 | 10.04 | 11.06 |
| 14Dec | 14Jun | Treas 10½pc 1989 | 97 | 8.5 | 10.82 | 11.32 |
| 1Feb | 1Aug | Exch.10pc 1989 | 95 | 25.6 | 10.49 | 11.28 |
| 29 Mr | 29 Se | Exch 11pc 1989 | 99 | — | 11.13 | 11.28 |
| 15Ap | 15Oct | Treas 5pc 1986-89 | 80¼ | 10.9 | 6.24 | 10.22 |

### Five to Fifteen Years

| Interest Due | | Stock | Price £ | Last xd | Int. | Red. |
|---|---|---|---|---|---|---|
| 15Jly | 15Ja | Treas 13pc 1990‡‡ | 111¼ | 8.6 | 12.12 | 11.10 |
| 22Se | 22Mar | Exch. 12½pc 1990 | 106⅝ | 16.8 | 11.89 | 11.20 |
| 15D | 15Jun | Treas 8¼pc 1987-90‡‡ | 95½ | 9.5 | 9.14 | 10.59 |
| 25Ap | 25Oc | Treas. 10pcCv 1990 | 95½ | 18.9 | 10.50 | 11.12 |
| 10Jul | 10Ja | Treas 11¾pc 1991 | 105¾ | 4.6 | 11.51 | 11.25 |
| 5Oct | 5Apr | Funding 5¾pc '87-91‡‡ | 81¾ | 3.9 | 7.07 | 9.71 |
| 25Ap | 25Oc | Exch. 11pc 1991 | 99⅝ | 18.9 | 11.08 | 11.14 |
| 22Jly | 22Jan | Treas 12¾pc 1992‡‡ | 110⅝ | 15.6 | 11.90 | 11.24 |
| 21Ag | 21Fb | Treas 10pc 1992 | 96¾ | 16.7 | 10.56 | 11.06 |
| 7 May | 7 Nv | Treas 10½pc Cv 1992‡‡ | 99½ | — | 10.76 | 10.96 |
| 25Fb | 25Ag | Exch. 12¼pc '92 | 107¼ | 19.7 | 11.70 | 11.31 |
| 22Mar | 22Sp | Exch 13½pc 1992 | 112¾ | 16.8 | 12.14 | 11.29 |
| 14Ja | 14Jy | Treas 12½pc 1993‡‡ | 111¼ | 7.6 | 11.77 | 11.16 |
| 15Mar | 15Sp | Funding 6pc 1993‡‡ | 77¾ | 9.8 | 7.79 | 9.95 |
| 23May | 23N | Treas 13¾pc 1993‡‡ | 113¼ | 17.10 | 12.07 | 11.26 |
| 1 Sept | 1 Mar | Treas 14½pc 1994‡‡ | 121¾ | 26.7 | 12.15 | 11.11 |
| 27Oct | 27Apr | Exch 13½pc 1994 | 113¼ | 20.9 | 11.96 | 11.25 |
| 22F | 22Aug | Exch. 12½pc 1994 | 110 | 16.7 | 11.64 | 11.21 |
| 17May | 17N | Treas 9pc 1994‡‡ | 89⅝ | 11.10 | 10.06 | 10.75 |
| 25Jul | 25Ja | Treas 12pc 1995 | 104¾ | 18.6 | 11.44 | 11.17 |
| 1Nov | 1May | Gas 3pc '90-95 | 63¼ | 25.9 | 4.78 | 8.23 |
| 21Jan | 21Jly | Exch. 10¼pc 1995 | 98 | 14.6 | 10.79 | 11.05 |
| 15May | 15N | Treas 12¾pc 1995‡‡ | 110¼ | 9.10 | 11.54 | 11.08 |
| 22Jly | 22Jan | Treas. 14pc '96 | 121¾ | 15.6 | 11.90 | 11.20 |
| 15S | 15Mar | Treas 9pc 1992-96‡‡ | 90¼ | 9.8 | 10.13 | 10.72 |
| 3Nov | 3May | Treas 15¼pc 1996‡‡ | 126¼ | 27.9 | 12.09 | 11.16 |
| 15Nov | 15May | Exch 13¼pc 1996‡‡ | 114¼ | 9.10 | 11.51 | 10.92 |
| 1Ap | 1Oc | Redemption 3pc 1986-96 | 63¾ | 28.8 | 4.78 | 6.89 |
| 22Jul | 22Ja | Treas 13¼pc 1997‡‡ | 119 | 15.6 | 11.51 | 10.95 |
| 21Aug | 21F | Exch 10½pc 1997 | 100 | 16.7 | 10.73 | 10.81 |
| 1Mar | 1Sep | Treas 8¾pc 1997‡‡ | 88¼ | 26.7 | 10.09 | 10.63 |
| 27Ap | 27Oct | Exch. 15pc 1997 | 126¼ | 20.9 | 11.92 | 11.17 |
| 19Jly | 19Jan | Exch. 9¾pc 1998 | 96¼ | 12.6 | 10.46 | 10.71 |
| 19 July | — | Ex. 9¾pc '98A (£20pd.) | £9¾ | — | 10.43 | 10.69 |
| 1Nov | 1May | Treas 6¾pc 1995-98‡‡ | 73¾ | 25.9 | 9.15 | 10.41 |
| 30Mar | 30Sep | Treas. 15½pc '98‡‡ | 132½ | 24.8 | 11.83 | 11.08 |
| 20May | 20Nv | Exch. 12pc 1998 | 108¼ | 15.10 | 11.04 | 10.77 |
| 15Jul | 15Jan | Treas 9½pc 1999‡‡ | 95¼ | 8.6 | 10.31 | 10.55 |
| 26Sp | 26Mar | Exch. 12¼pc 1999 | 112 | 20.8 | 11.06 | 10.76 |
| 19Nv | 19May | Treas. 10½pc 1999 | 98⅝ | 15.10 | 10.60 | 10.63 |

### Over Fifteen Years

| Interest Due | | Stock | Price £ | Last xd | Int. | Red. |
|---|---|---|---|---|---|---|
| 22My | 22Nv | Convers'n 10¼pc 1999 | 96¾ | 16.10 | 10.54 | 10.62 |
| 14Ja | 14Jul | Treas. 13pc 2000 | 121¼ | 7.6 | 11.10 | 10.72 |
| 22N | 22May | Treas. 14pc '98-01 | 120⅝ | 16.10 | 11.54 | 10.96 |
| 22Jul | 22Ja | Exch. 12pc '99-02 | 112¾ | 15.6 | 10.95 | 10.73 |
| 11Apr | 11Oct | Conv. 10pc 2002 | 98⅝ | 4.9 | 10.21 | 10.25 |
| 25Ja | 25Jul | Treas. 13¾pc 2000-03 | 126¼ | 18.6 | 11.19 | 10.70 |
| 19S | 19Mar | Treas. 11½pc 2001-04 | 109¾ | 13.8 | 10.63 | 10.44 |
| 14Ja | 14Jul | Funding 3½pc '99-04 | 49⅝ | 7.6 | 7.21 | 9.21 |
| 21May | 21N | Treas. 12½pc 2003-05 | 117 | 15.10 | 10.63 | 10.37 |
| 5Apr | 5Oct | Treas. 8pc 2002-06‡‡ | 83⅝ | 3.9 | 9.64 | 9.91 |
| 22Jly | 22Jan | Treas. 11¾pc 2003-07 | 115 | 15.6 | 10.53 | 10.32 |
| 26Sp | 26Mar | Treas. 13½pc '04-08 | 127¼ | 20.8 | 10.74 | 10.42 |
| 10Mar | 10S | Treas. 5½pc 2008-12‡‡ | 62 | 6.8 | 8.90 | 9.38 |
| 26Jly | 26Jan | Treas. 7¾pc 2012-15‡‡ | 83½ | 19.6 | 9.54 | 9.54 |
| 12Jun | 12Dec | Exch. 12pc '13-'17 | 124⅝ | 8.5 | 10.00 | 9.88 |

### Undated

| Interest Due | | Stock | Price £ | Last xd | Int. | Red. |
|---|---|---|---|---|---|---|
| 1Feb | 1Aug | Consols 4pc | 40⅝ | 25.6 | 10.10 | — |
| 1Jun | 1Dec | War Loan 3½pc‡‡ | 35½ | 15.10 | 9.79 | — |
| 1Apr | 1Oct | Conv. 3½pc '61 Aft. | 42¾ | 28.8 | 8.22 | — |
| 5Ap | 5Oct | Treas. 3pc '66 Aft. | 29¾ | 3.9 | 10.13 | — |
| 5Ja Ap Jly O | | Consols 2½pc | 25¼ | 3.9 | 9.93 | — |
| 1Apr | 1Oct | Treas. 2½pc | 25¼ | 28.8 | 9.94 | — |

### Index-Linked

| Interest Due | | Stock (b) | Price £ | Last xd | (1) | (2) |
|---|---|---|---|---|---|---|
| 30Mr | 30Sep | Treas. 2pc '88 (297.1) | 107¾ | 24.8 | 3.51 | 4.46 |
| 25Jan | 25Jy | Do. 2pc '90 (333.9) | 93¼ | 18.6 | 3.57 | 4.27 |
| 16Mar | 16Se | Do. 2pc '96 (267.9) | 109½ | 10.8 | 3.34 | 3.64 |
| 24Mar | 24Se | Do. 2½pc '01 (308.8) | 99½ | 20.8 | 3.19 | 3.42 |
| 20Nov | 20May | Do. 2½pc '03 (310.7) | 98¼ | 15.10 | 3.15 | 3.35 |
| 19Jan | 19Jly | Do. 2pc '06 (274.1) | 102¾ | 12.6 | 3.07 | 3.25 |
| 20Nov | 20May | Do. 2½pc '09 (310.7) | 98 | 15.10 | 3.00 | 3.17 |
| 23Feb | 23Aug | Do. 2½pc '11 (294.1) | 104¾ | 17.7 | 2.99 | 3.15 |
| 26Jan | 26Jly | Do. 2½pc '16 (322.0) | 95¾ | 19.6 | 2.94 | 3.08 |
| 16Oct | 16Apr | Do. 2½pc '20 (327.3) | 93¾ | 10.9 | 2.90 | 3.04 |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for Feb, 1984: 344.0 and for September, 1984: 355.5.

## INT. BANK AND O'SEAS GOVT STERLING ISSUES

## CORPORATION LOANS

## COMMONWEALTH AND AFRICAN LOANS

## LOANS

### Building Societies

### Public Board and Ind.

### Financial

## FOREIGN BONDS & RAILS

## AMERICANS

## CANADIANS

## BANKS, HP AND LEASING

### Hire Purchase, Leasing, etc.

## BEERS, WINES AND SPIRITS

## BEERS, WINES—Cont.

## BUILDING INDUSTRY, TIMBER AND ROADS

## CHEMICALS, PLASTICS

## DRAPERY AND STORES

## DRAPERY & STORES—Cont.

## ELECTRICALS

## ENGINEERING

## ENGINEERING—Continued

## FOOD, GROCERIES, ETC

## HOTELS AND CATERERS

## HOTELS—Continued

## INDUSTRIALS (Miscel.)

هكذا من الأصل



## INDUSTRIALS—Continued

| Dividends Paid | | Stock | Price | Last xd | Div Net | C'vr | Y'ld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Nov | May | Martin-Black | 22 | 5'79 | — | — | — | — |
| — | | Mathesons 7¾% | 157 | 30.6 | Q7¾% | 2.3 | 8.9 | — |
| Jan. | June | Metal Box £1 | 344 | 18.6 | 15.0 | 3.0 | 5.9 | 6.2 |
| Nov. | June | Metal Closures | 140 | 17.9 | 6.3 | 2.3 | 6.4 | (7.8) |
| — | | Metal Sciences 2½p | 13 | — | — | — | — | — |
| April | Dec. | Metamec Jentique | 9 | 22.12 | 0.01 | — | — | — |
| July | Jan. | Midland Marts | 109 | 14.5 | 4.0 | 1.8 | 5.6 | 12.9 |
| Jan | May | Mitchell Cotts | 65 | 12.3 | 4.0 | ♦ | 8.7 | ♦ |
| July | Dec. | Molton Grp 1p | 75 | 9.4 | 3‡0.5 | 2.5 | 4.8 | (9.5) |
| Jan. | July | Morgan Crucible | 365 | 30.4 | 17.5 | 1.2 | 6.6 | (16.3) |
| | May | Morris (W) Fine Arts | 17 | — | bg0.25 | 4.0 | 2.1 | 15.6 |
| Jan. | Aug. | Moss (Robt.) 10p | 93 | 4.6 | 2.5 | 2.9 | 3.2 | 11.5 |
| May | Nov. | MMW Computers | 275 | 15.10 | 6.0 | 3.0 | 3.1 | 15.3 |
| Mar. | Sept. | Nash Inds. | 45 | 13.3 | 4.0 | 2.2 | 13.3 | 5.0 |
| Oct. | April | Neill&Sp'ncer 10p | 38 | 3'83 | — | — | — | 16.4 |
| Jan | July | Newman Indsts. | 23 | 12'79 | — | — | — | (7.3) |
| — | | Do. 10p Cn.Cnv.Pf. | 39 | 18.6 | 10% | — | 7.5 | — |
| April | Oct. | Nolton | 59 | 12.12 | 1.1 | ♦ | 3.2 | ♦ |
| Jan. | Aug. | Norcros | 181 | 16.7 | 7.5 | 2.4 | 5.9 | 9.5 |
| Oct. | April | Nu-Swift 5p | 59 | 29.10 | — | 9.2 | — | 7.7 |
| Feb. | Aug. | Oakwood Grp. | 78 | 30.1 | ‡6.5 | — | ‡ | — |
| Jan. | June | Office & Elect. | 143 | 24.10 | 5.24 | 4.3 | 5.2 | 6.6 |
| May | Nov. | Oriflame Intl SA | 650 | 1.10 | †Q53c | 2.2 | 6.8 | 6.7 |
| Jan. | June | Ovenstone 12½c | 23 | 14.11 | Q4.5c | 2.2 | 10.1 | 4.5 |
| May | Nov. | Ozalid Fin. Cv. | £148 | 15.10 | Q9% | — | 16.2 | — |
| — | | PCT Grp 10p | 120 | 24.10 | g6.8 | 2.9 | 5.3 | 7.8 |
| — | | PLM 'B' Sk 25 | £12 | — | Q20% | 3.2 | 3.9 | 8.1 |
| — | | Pacific Sales 10p | 47 | — | b2.4 | 2.2 | 7.3 | (7.1) |
| April | Oct. | Parker Knoll 'A' | 156 | 1.10 | 9.0 | 2.8 | 8.5 | 6.1 |
| Feb. | Aug. | Pauls | 215 | 2.7 | 8.5 | 2.8 | 5.6 | 7.8 |
| June | Nov. | Pearson | 565 | 17.9 | †14.9 | 3.0 | 3.5 | 11.3 |
| — | | Peek Holdings | 28 | — | — | — | — | — |
| Mar | Oct. | Peerless | 93 | 3.9 | 6.5 | 1.4 | 9.7 | 9.4 |
| June | Nov. | Pentland 10p | 245 | 3.9 | †h1.74 | 4.1 | 1.0 | 25.9 |
| Oct. | July | Pentos 10p | 27 | 9'80 | 0- | — | — | 47.8 |
| | September | Phillips Patents | 68 | 15.10 | 1.25 | — | 3.0 | — |
| May | Dec. | Photo-Me 50p | 780 | 16.10 | 9.45 | 6.6 | 1.7 | 10.7 |
| Feb. | Aug. | Pilkington Br. £1 | 305 | 2.7 | 11.5 | 2.7 | 5.4 | 7.6 |
| June | Dec. | Pitn'y Bowes Ln. | £395 | 14.5 | Q5½% | — | 2.9 | — |
| Sept. | April | Plastic Const. 10p | 46 | 13.8 | d2.38 | 1.0 | 6.5 | 17.2 |

## INSURANCES

## LEISURE

## LEISURE—Continued

## MOTORS, AIRCRAFT TRADES

### Motors and Cycles

### Commercial Vehicles

### Components

### Garages and Distributors

## NEWSPAPERS, PUBLISHERS

## PAPER, PRINTING ADVERTISING

## PROPERTY

## PROPERTY—Continued

## SHIPPING

## SHOES AND LEATHER

## SOUTH AFRICANS

## TEXTILES

## TOBACCOS

## TRUSTS, FINANCE, LAND

### Investment Trusts

## INVESTMENT TRUSTS—Cont.

### Finance, Land, etc.

## OIL AND GAS

## OIL AND GAS—Continued

## OVERSEAS TRADERS

## PLANTATIONS

### Rubbers, Palm Oil

### Teas

## MINES

### Central Rand

### Eastern Rand

### Far West Rand

### O.F.S.

### Finance

### Diamond and Platinum



## MINES—Continued

### Central African

### Australians

### Tins

### Miscellaneous

## NOTES

## REGIONAL & IRISH STOCKS

## OPTIONS — 3-month call rates

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 18

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security.

# CURRENCIES, MONEY and CAPITAL MARKETS



## FOREIGN EXCHANGES

### LONDON

THREE-MONTH EURODOLLAR $1m points of 100%†

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 89.79 | 89.97 | 89.76 | 89.74 |
| March | 89.43 | 89.64 | 89.40 | 89.35 |
| June | 89.05 | 89.27 | 89.05 | 88.97 |
| Sept | 88.66 | 88.86 | 88.66 | 88.58 |
| Dec | 88.32 | — | — | 88.24 |

Est volume 9,119 (4,790)
Previous day's open int 11,413 (10,984)
† Repriced

THREE-MONTH STERLING £250,000 points of 100%†

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 89.92 | 90.02 | 89.91 | 89.90 |
| March* | 90.02 | 90.09 | 90.00 | 89.94 |
| June* | 89.84 | 89.86 | 89.80 | 89.74 |
| Sept* | 89.59 | 89.60 | 89.49 | 89.40 |

Est volume 2,612 (1,731)
Previous day's open int 8,814 (8,288) † Repriced
* £500,000 points of 100%.

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 108-28 | 109-17 | 108-21 | 108-03 |
| March | 108-09 | — | — | 107-16 |
| June | 107-29 | — | — | 107-04 |
| Sept | 111-00 | — | — | 110-07 |

Est volume 4,922 (2,743)
Previous day's open int 2,481 (2,480)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 02 to 10 (32nds)

STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1.2515 | 1.2540 | 1.2423 | 1.2240 |
| March | 1.2521 | 1.2526 | 1.2410 | 1.2247 |
| June | 1.2538 | — | — | 1.2270 |

Est volume 769 (421)
Previous day's open int 8,468 (9,656)

DEUTSCHE MARKS DM 125,000 $ per DM

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.3408 | 0.3418 | 0.3387 | 0.3349 |
| March | 0.3447 | — | — | 0.3378 |

Est volume 327 (144)
Previous day's open int 284 (156)

SWISS FRANCS SwFr 125,000 $ per SwFr

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.4138 | 0.4160 | 0.4110 | 0.4080 |

Est volume 273 (nil)
Previous day's open int 404 (404)

JAPANESE YEN Y12.5m $ per Y100

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 0.4150 | 0.4155 | 0.4129 | 0.4098 |

Est volume 570 (nil)
Previous day's open int 263 (263)

FT-SE INDEX £25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 117.0 | 117.40 | 116.10 | 115.60 |
| March | 117.10 | — | — | 115.70 |

Est volume 887 (759)
Previous day's open int 731 (722)

### CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 71-09 | 71-15 | 70-24 | 71-17 |
| March | 70-18 | 70-24 | 70-02 | 70-25 |
| June | 69-31 | 70-03 | 69-16 | 70-05 |
| Sept | 69-14 | 69-18 | 69-00 | 69-20 |
| Dec | 69-01 | 69-04 | 68-17 | 69-06 |
| March | 68-19 | 68-21 | 68-05 | 68-24 |
| June | 68-06 | 68-10 | 67-26 | 68-13 |
| Sept | — | — | — | — |
| Dec | 67-21 | — | — | 67-26 |
| March | 67-13 | 67-15 | 67-13 | 67-18 |
| June | 67-06 | — | — | 67-11 |

U.S. TREASURY BILLS (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 91.04 | 91.08 | 90.93 | 91.00 |
| March | 90.68 | 90.70 | 90.55 | 90.64 |
| June | 90.31 | 90.32 | 90.18 | 90.24 |
| Sept | 89.95 | 89.96 | 89.82 | 89.87 |
| Dec | 89.59 | 89.59 | 89.48 | 89.49 |
| March | 89.25 | 89.23 | 89.13 | 89.13 |
| June | 88.92 | 88.94 | 88.78 | 88.83 |
| Sept | 88.60 | 88.64 | 88.51 | 88.54 |

CERT. DEPOSIT (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 90.27 | 90.32 | 90.12 | 90.24 |
| March | 89.89 | 89.95 | 89.70 | 89.85 |
| June | 89.49 | 89.50 | 89.33 | 89.45 |

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 89.89 | 89.94 | 89.72 | 89.84 |
| March | 89.50 | 89.54 | 89.33 | 89.46 |
| June | 89.11 | 89.17 | 88.93 | 89.05 |
| Sept | 88.73 | 88.73 | 88.53 | 88.65 |
| Dec | 88.36 | 88.37 | 88.16 | 88.26 |
| March | 87.99 | 88.00 | 87.81 | 87.91 |
| June | 87.64 | 87.64 | 87.45 | 87.55 |
| Sept | 87.28 | 87.29 | 87.10 | 87.20 |

STERLING (IMM) Se per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 1.2570 | 1.2580 | 1.2460 | 1.2360 |
| March | 1.2560 | 1.2560 | 1.2495 | 1.2370 |
| June | 1.2615 | 1.2580 | 1.2500 | 1.2385 |
| Sept | 1.2645 | 1.2580 | 1.2510 | 1.2405 |
| Dec | 1.2690 | 1.2540 | — | 1.2440 |

GNMA (CBT) 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| Dec | 68-08 | 69-00 | 67-26 | 68-03 |
| March | 67-12 | 67-14 | 67-02 | 67-09 |
| June | 66-24 | 66-26 | 66-24 | 66-21 |
| Sept | 66-10 | — | — | 66-07 |
| Dec | 65-29 | — | — | 65-26 |
| March | — | — | — | — |
| June | 65-05 | — | — | 65-02 |

## WEEKLY CHANGE IN WORLD INTEREST RATES

| | Nov. 2 | change |
|---|---|---|
| **LONDON** | | |
| Base rates | 10½ | Unch'd |
| 7 day interbank | 10⅝ | -¼ |
| 3mth interbank | 10⅜ | -⅛ |
| Treasury Bill Tender | 9.5639 | -0.3132 |
| Band 1 Bills | 10⅛ | Unch'd |
| Band 2 Bills | 10⅛ | Unch'd |
| Band 3 Bills | 10⅛ | Unch'd |
| 3 Mth. Treasury Bills | 9½ | -⅛ |
| 1 Mth. Bank Bills | 10 | -⅛ |
| 3 Mth. Bank Bills | 9⅞ | -⅛ |
| **TOKYO** | | |
| One month Bills | 6.21875 | -0.0625 |
| Three month Bills | 6.34375 | Unch'd |
| **BRUSSELS** | | |
| One month | 10⅞ | -⅛ |
| Three month | 10⅞ | -⅛ |
| **AMSTERDAM** | | |
| One month | 5⅞ | Unch'd |
| Three month | 5⅞ | +⅛ |
| **NEW YORK** | | |
| Prime rates | 12 | -¼ |
| Federal funds | 10⅜ | -⅛ |
| 3 Mth. Treasury Bills | 9.03 | -0.23 |
| 6 Mth. Treasury Bills | 9.22 | -0.26 |
| 3 Mth. C D | 9.65 | -0.20 |
| **FRANKFURT** | | |
| Lombard | 5.50 | Unch'd |
| One Mth. Interbank | 5.675 | -0.175 |
| Three month | 6.025 | -0.025 |
| **PARIS** | | |
| Intervention Rate | 11 | Unch'd |
| One Mth. Interbank | 10⅞ | +⅛ |
| Three month | 10⅞ | +⅛ |
| **MILAN** | | |
| One month | 17¼ | Unch'd |
| Three month | 17⅝ | Unch'd |
| **DUBLIN** | | |
| One month | 13 | +½ |
| Three month | 15¼ | Unch'd |

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 10¾.

# Dollar falls from grace

BY COLIN MILLHAM

*Sentiment can change very* quickly in financial markets, but as far as the present sudden change of heart is concerned the signs were there to see some time ago.

The turnround in the dollar has been sudden but not totally unexpected. One reason why the currency has taken so long to react to signs of slower economic growth in the U.S. and lower interest rates, is the fear of going short of dollars only to find it is another false dawn.

Last year the easiest way to make profits on the foreign exchange was to buy dollars and watch the currency appreciate. In 1984 the attractions of the dollar have been even more obvious, and the dollar bears have taken a long time to make themselves heard.

There are probably still doubts about whether this really is the beginning of a sustained period of dollar weakness. Dr Henry Kaufman, of Salomon Brothers, recently repeated his warnings of higher interest rates in the not too distant future, implying that the current trend may be shortlived. But at the moment the main concern is centred on economic growth to the end of this year and interest rates during the same period.

It is suspected that growth in the fourth quarter will be lower than the 2.7 per cent figure for the third quarter, and this is likely to encourage an easing of Federal Reserve monetary policy. If this proves true another cut in bank prime lending rates is expected and a weaker dollar.

Statistics released last week tended to support this view. September leading indicators rose by 0.4 per cent, which was above expectations, but the August figure was revised from a rise of 0.5 per cent to a fall of 0.1 per cent, giving three months of continuous decline. The September trade deficit of $12.65bn was the second largest on record, but was virtually ignored, with the market taking much more notice of the revised August leading indicators.

Money supply remains well within target, and the unexpectedly large fall of $2.5bn in weekly M1 money supply was taken as further evidence that easier monetary policy will follow.

Six weeks ago the dollar touched DM 3.1765, but by last Friday very few dealers were looking for an early return to this level.

## STERLING EXCHANGE RATE INDEX (Bank of England)

| | Nov 2 | Previous |
|---|---|---|
| 8.30 am | 75.4 | 74.7 |
| 9.00 am | 75.4 | 74.9 |
| 10.00 am | 75.6 | 74.9 |
| 11.00 am | 75.7 | 74.8 |
| Noon | 75.7 | 74.9 |
| 1.00 pm | 75.7 | 74.9 |
| 2.00 pm | 75.7 | 74.9 |
| 3.00 pm | 75.6 | 75.0 |
| 4.00 pm | 75.7 | 75.0 |

New York rates

| | November 2 | Prev. close |
|---|---|---|
| £ Spot | 1.2520-1.2530 | 1.2405-1.2430 |
| 1 month | 0.06-0.05 pm | 0.09-0.06 pm |
| 3 months | 0.07-0.05 pm | 0.011-0.06 pm |
| 12 months | 0.50-0.60 dis | 0.53-0.63 dis |

Forward premiums and discounts apply to the U.S. dollar.

## POUND SPOT—FORWARD AGAINST POUND

| Nov 2 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| U.S. | 1.2415-1.2555 | 1.2510-1.2520 | 0.08-0.05c pm | 0.62 | 0.07-0.02 pm | 0.14 |
| Canada | 1.6280-1.6460 | 1.6440-1.6450 | 0.19-0.26c dis | −1.64 | 0.57-0.70dis | −1.66 |
| Nethlnd. | 4.1450-4.1700 | 4.1450-4 1550 | 1¾-1½c pm | 4.69 | 4½-4¼ pm | 4.21 |
| Belgium | 74.30-74.60 | 74.50-74.60 | 3c pm-3 dis | par | 8-17 dis | 0.67 |
| Denmark | 13.360-13.413 | 13.412-13.413 | par-1¾ore dis | −0.65 | 3¼-4½ dis | −1.15 |
| Ireland | 1.1955-1.1996 | 1.1983-1.1993 | 0.19-0.36c dis | −1.66 | 0.73-0.98dis | −2.88 |
| W. Ger. | 3.6795-3.7000 | 3.6795-3.6805 | 1⅝-1¼pf pm | 4.89 | 4¼-3¾ pm | 4.21 |
| Portugal | 198.30-202.75 | 199.00-201.65 | 170-485c dis | −19.66 | 475-1400dis | −18.61 |
| Spain | 207.00-208.00 | 207.50-207.70 | 50-80pst dis | −3.76 | 140-200 dis | −1.63 |
| Italy | 2289-2305 | 2293¼-2295¼ | 8-11 lire dis | −4.96 | 28-32 dis | −5.23 |
| Norway | 10.75-10.79¾ | 10.78¾-10.79¾ | 2-3ore dis | −2.77 | 7⅛-8 dis | −2.82 |
| France | 11.30½-11.35¾ | 11.32½-11.33½ | ¼c pm-¼ dis | par | 1¾-2½ dis | −0.75 |
| Sweden | 10.58-10.64¾ | 10.63¼-10.64¾ | 1½-2¼ore dis | −2.11 | 4⅞-5½ dis | −1.96 |
| Japan | 301½-303½ | 301½-302½ | 1¼-1y pm | 4.47 | 3-2¾ pm | 3.80 |
| Austria | 25.85-25.98 | 25.91-25.96 | 8¼-7gro pm | 3.52 | 18⅞-25¾ pm | 3.43 |
| Switz | 3.0200-3.0323 | 3.0200-3.0300 | 1½-1¾c pm | 5.46 | 4-3¾c pm | 5.12 |

Belgian rate is for convertible francs. Financial franc 75.05-75.15.
*Six-month forward dollar 0.07-0.12c dis. 12-month 0.55-0.70.*

## OTHER CURRENCIES

| Nov. 2 | £ | $ | | £ Note Rates |
|---|---|---|---|---|
| Argentina Peso | 151.48 151.78 | 120.95-121.08 | Austria | 25.80-26.10 |
| Australia Dollar | 1.4595-1.4615 | 1.1642-1.1649 | Belgium | 74.80-75.60 |
| Brazil Cruzeiro | 3,267.77-3,286.88 | 2,609.0 2,622.0 | Denmark | 13.28-13.42 |
| Finland Markka | 7.7310-7.7748 | 6.1900-6.1950 | France | 11.27-11.39 |
| Greek Drachma | 152,930-153,679 | 121.70-122.50 | Germany | 3.67-3.71 |
| Hong Kong Dollar | 9,7840-9,7940 | 7.8150-7.8180 | Italy | 2275-2305 |
| Iran Rial | 112.50 | 92.50 | Japan | 303-306 |
| Kuwait Dinar (KD) | 0.37660-0.37680 | 0.30080-0.30090 | Netherlands | 4.14-4.18 |
| Luxembourg | 74.50-74.60 | 59.50-59.60 | Norway | 10.70-10.81 |
| Malaysia Dollar | 2.9840-2.9920 | 2.3840-2.3920 | Portugal | 193-220 |
| New Zealand Dlr | 2.5350-2.5400 | 2.0140-2.0160 | Spain | 201-213.75 |
| Saudi Arab. Riyal | 4.4525-4.4620 | 3.5600-3.5610 | Sweden | 10.53-10.64 |
| Singapore Dollar | 2.6900-2.6960 | 2.1495-2.1515 | Switzerland | 3.04-3.07 |
| Sth African Rand | 2.3253-2.3404 | 1.8570-1.8691 | United States | 1.2450-1.2650 |
| U.A.E. Dirham | 4.5935-4.6025 | 3.6720-3.6750 | Yugoslavia | 245-260 |

* Selling rates.

## EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu October 31 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian Franc | 44.9008 | 44.9907 | +0.20 | +0.46 | ±1.5428 |
| Danish Krone | 8.14104 | 8.05749 | −1.03 | −0.77 | ±1.6421 |
| German D-Mark | 2.24184 | 2.22893 | −0.58 | −0.32 | ±1.1463 |
| French Franc | 6.87456 | 6.83653 | −0.55 | −0.29 | ±1.3659 |
| Dutch Guilder | 2.52595 | 2.51330 | −0.50 | −0.24 | ±1.5165 |
| Irish Punt | 0.72569 | 0.722379 | −0.46 | −0.20 | ±1.6671 |
| Italian Lira | 1403.49 | 1383.57 | −1.42 | −1.42 | ±4.1611 |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## FORWARD RATES AGAINST STERLING

| | Spot | 1 month | 3 month | 6 month | 12 month |
|---|---|---|---|---|---|
| Dollar | 1.2515 | 1.2508 | 1.2506 | 1.2515 | 1.2567 |
| D-Mark | 3.6800 | 3.6650 | 3.6405 | — | — |
| French Franc | 11.3300 | 11.3300 | 11.3513 | — | — |
| Swiss Franc | 3.0250 | 3.0113 | 2.9863 | — | — |
| Japanese Yen | 302.00 | 300.88 | 299.13 | — | — |

## BANK OF ENGLAND TREASURY BILL TENDER

| | Nov. 2 | Oct. 26 | | Nov. 2 | Oct. 26 |
|---|---|---|---|---|---|
| Bills on offer | £100m | £100m | Top Accepted rate of discount | 9.5863% | 9.9871% |
| Total of applications | £450.61m | £408.40 | Average rate of discount | 9.5639% | 9.8771% |
| Total allocated | £100m | £100m | Average yield | 9.80% | 10.19% |
| Minimum accepted bid | £97.61 | £97.535 | Amount on offer at next tender | £100m | £100m |
| Allotment at minimum level | 23% | 94% | | | |

## DOLLAR SPOT—FORWARD AGAINST DOLLAR

| Nov 2 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.2415-1.2555 | 1.2510-1.2520 | 0.08-0.05 | 0.62 | 0.07-0.02 | 0.14 |
| Ireland† | 1.0440-1.0475 | 1.0455-1.0465 | 0.35-0.25c pm | 3.44 | 0.85-0.70 pm | 2.96 |
| Canada | 1.3100-1.3270 | 1.3117-1.3127 | 0.23-0.26c dis | −2.33 | 0.53-0.58dis | −1.59 |
| Nethlnd. | 3.3000-3.3475 | 3.3215-3.3225 | 1.08-1.05c pm | 5.96 | 3.24-3.21 pm | 3.87 |
| Belgium | 59.35-61.09 | 59.40-59.50 | 3.5-5c dis | −0.83 | 5-8 dis | −0.42 |
| Denmark | 10.67-10.67 | 10.69¼-10.69¾ | 0.70-1.20ore dis | −1.06 | 2.75-3.25dis | −1.12 |
| W. Ger. | 2.9250-2.9725 | 2.9455-2.9465 | 1.03-0.98c pm | 4.27 | 3.00-2.95 pm | 4.03 |
| Portugal | 159-162 | 159½-160½ | 150-400c dis | −20.62 | 400-1150dis | −19.37 |
| Spain | 165.75-166.03 | 165.93-166.03 | 60-70c dis | −4.69 | 135-165 dis | −3.61 |
| Italy | 1822-1846.50 | 1837-1838 | 8.50-9.50 lire dis | −0.58 | 25.0-26.5dis | −0.56 |
| Norway | 8.60-8.61¼ | 8.60¾-8.61¼ | 2.40-2.90ore dis | −0.91 | 6.75-7.25dis | −3.25 |
| France | 8.9850-9.1050 | 9.0500-9.0510 | 0.50-0.80c dis | −0.72 | 2.00-2.50dis | −0.99 |
| Sweden | 8.47-8.49¾ | 8.49¾-8.49¾ | 2.00-2.50ore dis | −3.18 | 4.65-5.15dis | −2.30 |
| Japan | 241.35-243.15 | 241.80-241.90 | 0.74-0.70y pm | 3.56 | 2.16-2.11 pm | 3.52 |
| Austria | 20.73¼-20.75½ | 20.73¼-20.73¾ | 4.80-4.30gro pm | 2.63 | 13.50-11.50pm | 2.41 |
| Switz. | 2.4180-2.4505 | 2.4250-2.4260 | 1.04-0.99c pm | 4.98 | 2.96-2.90 pm | 4.82 |

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 59.90-60.10.

## CURRENCY MOVEMENTS

| Nov 2 | Bank of England Index | Morgan Guaranty Changes% |
|---|---|---|
| Sterling | 75.7 | −14.9 |
| U.S. dollar | 138.6 | +25.6 |
| Canadian dollar | 89.7 | −3.4 |
| Austrian schilling | 112.7 | +3.5 |
| Belgian franc | 89.4 | −10.8 |
| Danish Kroner | 77.2 | −6.0 |
| Deutsche mark | 122.0 | +7.2 |
| Swiss franc | 143.1 | +10.6 |
| Guilder | 113.6 | +3.8 |
| French franc | 64.9 | −15.7 |
| Lira | 46.8 | −16.1 |
| Yen | 156.8 | +12.6 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

## CURRENCY RATES

| Nov. 2 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | — | 0.804386 | N/A |
| U.S. $ | 9 | 1.00677 | N A |
| Canadian $ | 12.11 | * | N A |
| Austria Sch. | 4½ | 20.8713 | N/A |
| Belgian Fr. | 11 | N/A | N/A |
| Danish Kr. | 7 | 10.7674 | N/A |
| Dmark | 4½ | 2.96967 | N/A |
| Guilder | 5 | 3.35504 | N/A |
| French Fr. | 9½ | 9.13738 | N/A |
| Lira | 16½ | 1851.07 | N/A |
| Yen | 5 | 245.048 | N/A |
| Norwgn Kr. | 8 | 8.66629 | N/A |
| Spanish Pta. | — | 167.134 | N/A |
| Swedish Kr. | 8½ | 8.57567 | N/A |
| Swiss Fr. | 4 | 2.45199 | N/A |
| Greek Drch. | 20½ | 125.314 | N/A |
| Irish Punt | 13¾ | 0.960200 | N/A |

*CS/SDR rate for November 1: 1.30829.

## EXCHANGE CROSS RATES

| Nov. 2 | Pound Sterling | U.S. Dollar | Deutsche m'k | J'panese Yen | French Franc | Swiss Franc | Dutch Guild | Italian Lira | Canada Dollar | Belgian Franc |
|---|---|---|---|---|---|---|---|---|---|---|
| Pound Sterling | 1. | 1.252 | 3.680 | 302.0 | 11.33 | 3.025 | 4.150 | 2294. | 1.645 | 74.55 |
| U.S. Dollar | 0.799 | 1. | 2.940 | 241.3 | 9.053 | 2.417 | 3.316 | 1833. | 1.314 | 59.57 |
| Deutschemark | 0.272 | 0.340 | 1. | 82.07 | 3.079 | 0.822 | 1.128 | 623.4 | 0.447 | 20.26 |
| Japanese Yen 1,000 | 3.311 | 4.144 | 12.19 | 1000. | 37.52 | 10.02 | 13.74 | 7597. | 5.445 | 246.9 |
| French Franc 10 | 0.883 | 1.105 | 3.248 | 266.5 | 10. | 2.670 | 3.663 | 2025. | 1.451 | 65.80 |
| Swiss Franc | 0.331 | 0.414 | 1.217 | 99.85 | 3.745 | 1. | 1.372 | 758.4 | 0.544 | 24.64 |
| Dutch Guilder | 0.241 | 0.302 | 0.887 | 72.77 | 2.730 | 0.729 | 1. | 552.8 | 0.396 | 17.96 |
| Italian Lira 1,000 | 0.436 | 0.546 | 1.604 | 131.6 | 4.938 | 1.319 | 1.809 | 1000. | 0.717 | 32.49 |
| Canadian Dollar | 0.608 | 0.761 | 2.238 | 183.6 | 6.890 | 1.839 | 2.524 | 1395. | 1. | 45.33 |
| Belgian Franc 100 | 1.341 | 1.679 | 4.936 | 405.1 | 15.20 | 4.058 | 5.567 | 3077. | 2.206 | 100. |

## EURO-CURRENCY INTEREST RATES (Market closing rates)

| Nov. 2 | Sterling | U.S. Dollar | Canadian Dollar | Dutch Guilder | Swiss Franc | D-mark | French Franc | Italian Lira | Belgian Franc Conv. | Belgian Franc Fin. | Yen | Danish Krone |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Short term | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 10¼-11 | 10¾-11 | 6⅛-6⅞ | 11¼-11¾ |
| 7 days' notice | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 10¼-11 | 10¾-11 | 6⅛-6⅜ | 11 -11½ |
| Month | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 10¼-11 | 10¾-11 | 6⅛-6¼ | 11¼-11¾ |
| Three months | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 10¼-11 | 10¾-11 | 6⅛-6⅝ | 11⅝-11⅞ |
| Six months | 10⅛ 10¼ | 10⅛-10¼ | 11⅛-11⅛ | 6⅛-6⅞ | 4½-5⅛ | 5¾-5⅞ | 11⅛-11¼ | 15⅝-16 | 10¼-11 | 10¾-11 | 6⅛-6⅝ | 11⅝-12⅛ |
| One year | 10¼-10⅜ | 10⅝-10¾ | 11½-11¾ | 6⅛-6⅜ | 4⅞-5 | 5½-5⅝ | 11⅞-12⅛ | 15½-16 | 10⅛-10½ | 10⅛-11⅛ | 6⅛-6⅞ | 11⅝-12⅛ |

*Asian $ (closing rates in Singapore): Short-term 9¹³⁄₁₆-10⅛ per cent; seven days 9¾-9⅞ per cent; one month 9⅝-9¾ per cent; three months 9¹³⁄₁₆-9¹⁵⁄₁₆ per cent; six months 9¹⁵⁄₁₆-10¹⁄₁₆ per cent; one year 10⅛-10⅝ per cent. Long-term Eurodollars: two years 11¼-11⅝ per cent; three years 12-12¼ per cent; four years 12⅛-12⅝ per cent; five years 12¾-12½ per cent nominal rates. Short-term rates are call for U.S. U.S. dollars and Japanese yen: others two days' notice.*

## MONEY MARKETS

# A buoyant mood in London

Money markets were cheered by the weakness of the dollar last week. The U.S. bond market was very strong on Thursday, before retreating Friday on profit taking and some nervousness at an unchanged U.S. unemployment figure for September. Nevertheless the mood in London was buoyant, with the market deciding the only major uncertainty was the eventual outcome of the miners' strike, and that was probably far enough in the future not to be of immediate concern.

The oil situation was looking reasonably favourable, and with the Organisation of Petroleum Exporting Countries agreeing to cuts in production, a price war had been avoided for the time being.

Sterling recovered well against the dollar, gaining 3 cents on the week to $1.2515, while the exchange rate index rose 0.6 to 75.7.

The Federal funds rate in New York was not as low as the previous week, hovering around 10 per cent, but the economic statistics published last week encouraged hopes that rates will fall further.

Against this background London money market rates fell, and the situation was rather similar to the same time last month when it was hoped that the September money supply figures would herald a cut of ½ per cent to 10 per cent in clearing bank base rates.

Hopes were dashed when the money supply proved disappointing, but the figures were generally considered to have been distorted through round tripping. This is when large corporate customers of the banks move money around the market to gain the best advantage.

The October figures, for release tomorrow, are expected to be much better, and although it seemed most unlikely only a short time ago a reduction in base rates may follow.

Discount houses were obviously beginning to think in these termsand preferred to hold on to paper last week. On Wednesday, when the money market shortage was £1.2bn the Bank of England bought only £132m bills outright, while on Thursday the shortage was £900m and the number of bills bought outright was £79m, and on Friday the shortage was £500m and the authorities purchased only £22m bills outright.

UK clearing banks' base lending rate 10½ per cent (since August 20)

## MONEY RATES

| Nov. 2 | Frankfurt | Paris | Zurich | Amst'dam | Tokyo | Milan | Brussels | Dublin |
|---|---|---|---|---|---|---|---|---|
| Overnight | 5.60-5.60 | 10¾ | 1⅞-2¼ | 5⅝-5¾ | 6.34375 | 16⅞-17¼ | 11.65 | 12⅝-12⅞ |
| One month | 5.60-5.75 | 10⅛-10⅝ | 4⅞-4⅞ | 5¾-5⅞ | 6.21875 | 16⅞-17¼ | 10⅞-11⅛ | 12⅞-13⅛ |
| Two months | 6.00-6.10 | 10⅞-10⅞ | — | — | — | — | — | 12⅞-13⅛ |
| Three months | 5.95-6.10 | 10¼ 10⅜ | 5-5⅛ | 5⅞ 6 | 6.34375 | 17⅛-17½ | 10⅞-11⅛ | 15⅛-15⅜ |
| Six months | 5.95-6.10 | 10¼ 10⅝ | — | 6 6⅛ | — | — | 10⅞-11⅛ | 15⅜-15⅝ |
| Lombard | 5.5 | — | — | — | — | — | — | |
| Intervention | — | 11 | — | 5¾ | — | — | — | |

## LONDON MONEY RATES

| Nov. 2 1984 | Sterling Certificate of deposit | Interbank | Local Authority deposits | Company Deposits | Market Deposits | Treasury (Buy) | Treasury (Sell) | Eligible Bank (Buy) | Eligible Bank (Sell) | Fine Trade (Buy) |
|---|---|---|---|---|---|---|---|---|---|---|
| Overnight | — | 1-11⅛ | 10⅝ | 7-10⅞ | 10-10¾ | — | — | — | — | — |
| 2 days notice | — | — | 10½-10⅝ | — | — | — | — | — | — | — |
| 7 days or | — | — | — | — | — | — | — | — | — | — |
| 7 days notice | — | 10⅝-10¾ | 10½-10⅝ | 10¾-10⅞ | 10½-10¾ | — | — | — | — | — |
| One month | 10⅞-10⅝ | 10⅝-10⅝ | 10¼ | 10⅝-10⅞ | 10¼ | 10⅛ | 10 | 10 | 10 | 10¾ |
| Two months | 10¼-10⅛ | 10¼-10⅛ | 10¼ | 10⅛ | 10 | 9⅞ | 9¾ | 9¾ | 9¾ | 10½ |
| Three months | 10⅛-10⅛ | 10⅛-10⅛ | 10⅛ | 10⅛ | 9¾-9⅞ | 9⅝-9½ | 9⅛-9⅜ | 9⅜-9¾ | 9⅝ | 10⅛ |
| Six months | 10⅛-9⅞ | 10⅛-10⅜ | 10⅛ | — | — | — | — | 9⅞-9⅝ | 9⅛-9⅜ | 10⅛ |
| Nine months | 10-9⅞ | 10⅛-10⅛ | — | — | — | — | — | — | — | — |
| One year | 10-9⅞ | 10⅛-10⅛ | 10⅜ | — | — | — | — | — | — | — |

(The Treasury, Eligible Bank and Fine Trade columns appear under the heading "Discount Houses Deposit and Bill Rates".)

| | Local Auth. negotiable bonds | Local Authority Deposits | Finance House Deposits | $ Cert of Deposits | SDR Linked Deposits | ECU Linked Deposits |
|---|---|---|---|---|---|---|
| One month | 10⅞-10⅝ | — | 10⅝ | 9.6-9.7 | 8⅛-8⅛ | 9⅛-9⅝ |
| Two months | 10¾-10⅝ | — | 10⅝ | 9.65-9.75 | 8⅝-8⅞ | 9⅛-9⅛ |
| Three months | 10¾-10⅜ | — | 10⅛ | 9.75-9.85 | 8⅛-8⅛ | 9⅛-9⅛ |
| Six months | 10⅝-10¼ | — | 10⅛ | 10.0-10.1 | 8⅛ 9 | 9¾-9⅞ |
| Nine months | 10½ 10¼ | — | 10⅜ | 10.0-10 2 | — | — |
| One year | 10¼-10¼ | — | 10⅝ | 10.25-10.45 | 9¼-9⅛ | 10⅛-10¾ |
| Two years | — | 11 | — | — | — | — |
| Three years | — | 11⅛ | — | — | — | — |
| Four years | — | 11¼ | — | — | — | — |
| Five years | — | 11⅜ | — | — | — | — |

ECGD Fixed Rate Export Finance Scheme IV: Average Rate of Interest period September 5 to October 2 1984 (inclusive): 10.904 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 11 per cent from November 1 1984. London and Scottish Clearing Bank Rates for lending 10½ per cent. London Deposit Rates for sums at seven days' notice 7¼-7½ per cent. Treasury Bills: Average tender rates of discount 9.5639 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¾ per cent; one-three months 10¾ per cent; three-six months 10¾ per cent; six-nine months 10¾ per cent; nine-12 months 10¾ per cent. Under £100,000 10¾ per cent from October 29. Deposits held under Series 5 10½ per cent. The rates for all deposits withdrawn for cash 7 per cent.

## FT LONDON INTERBANK FIXING

(11.00 a.m. November 2)

| 3 months U.S. dollars | |
|---|---|
| bid 9 15/16 | offer 9 15/16 |

| 6 months U.S. dollars | |
|---|---|
| bid 10 | offer 10 1/8 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

## MONEY RATES

### NEW YORK (4 pm)

| | |
|---|---|
| Prime rate | 12 |
| Broker loan rate | 10¾-11¾ |
| Fed funds | 10⅛ |
| Fed funds at intervention | 10⅛ |

### Treasury Bills

| | |
|---|---|
| One month | 8.05 |
| Two month | 8.70 |
| Three month | 8.88 |
| Six month | 9.21 |
| One year | 9.30 |

### Treasury Bonds

| | |
|---|---|
| Two year | 101⅛ |
| Three year | 102²⁸⁄₃₂ |
| Four year | 100⅛ |
| Five year | 104²⁸⁄₃₂ |
| Seven year | 103⅞ |
| 10 year | 105¹¹⁄₁₆ |
| 30 years | 106⅛ |



هكذا صدر الأصل

# FINANCIAL TIMES SURVEY

# Brazil

**National self-confidence has been eroded by the recent economic crisis. But hopes lie in the change to a civilian administration early next year. In the meantime, a sharp improvement in the external balance of trade may help the Figueiredo Government to obtain better terms for the rescheduling of Brazil's heavy debt burden**

## Poised for a new era

BY ANDREW WHITLEY

THE MOOD and the moment are ripe for change in Brazil. The country is restive, to say the least.

Fortunately, change is heralded by the replacement of General Joao Figueiredo as President next March by a civilian politician. But the extent of the likely change will only be known after January 15, when an electoral college will decide between two rival candidates.

The bells of a different sort of change will also be rung this month when Brazil's Economic Ministers sit down with the country's bank creditors to discuss the next round of debt rescheduling.

On the back of an extraordinary turnaround in its external balance of payments, a more confident Brazil is seeking better terms and a multi-year rescheduling arrangement.

Whether the outgoing Government will achieve all it wants on the debt front looks unlikely. Most of Brazil's creditors would prefer to wait until the new Government is installed and then try to strike a deal which could last.

The political benefits which would accrue to the international banks by being generous to the incoming civilian government are greater than those from rewarding the Figueiredo administration for its willingness to swallow the creditors' prescribed medicine—and the banks know it. They, too, want to be on the side of the angels.

Disillusionment and disgruntlement with the way the military—in power since 1964—have recently been conducting the country's affairs runs deep. In turn, this has triggered off an uncharacteristic loss of national self-confidence.

Values have been distorted, beliefs lost. Brazilians are tired of the strains and tensions engendered by the recent economic crisis. All most of them want to do is relax and let prosperity resume its previous, apparently natural, course.

The causes of discontent are easy to identify. The middle class has seen the considerable gains it made over the past two decades virtually wiped out. Meanwhile, for those at the bottom of the social heap, deprivation has risen to levels unseen this century.

Housing, education, urban services and the country's rudimentary social welfare system are all in a state of crisis.

Under the impact of the most severe recession in living memory, a traditionally resilient social fabric has begun to give way. Crime has reached epidemic proportions in the great metropolitan regions, swollen by an unabated drift from the countryside. Indeed, the rule of law is now non-existent to a wide extent in many of the major cities, as well as in the more predictably lawless new frontier lands.

Corruption, never previously as bad as in, say, Mexico, has become much more widespread, at the top and bottom of society. Often the mark of a decaying regime, corruption flourishes in a business and political climate in which there is little, if any, calling to account.

Hand in hand with the gradual crumbling of the social order has gone the loss of the sense of worth of money. Inflation in Brazil was tolerable when it was in the 40 to 50 per cent range and the economy was growing. It was manageable, for a short time, when it hit the 100 per cent plateau.

But for two years running now—the first when the economy was in a steep decline—inflation has been over the 200 per cent mark, and shows no signs of easing up in 1985.

One consequence has been an alarming degree of deindustrialisation as companies concentrate on preserving the value of their assets through financial speculation.

The economic record of the military has by no means been all bad, looking at the performance since 1964.

Recently great strides have been made in reducing the country's dependence on imported oil. Major infrastructure projects have been put in place, a large and diversified industrial structure established.

The other side of the coin has been a widening of income distribution and an increase in relative, and absolute, levels of poverty. Proportionately, more Brazilians today earn less than the official minimum wage (about U.S.$800 a year) than 20 years ago and the buying power of that wage has declined.

Both Sr Paulo Maluf, the official candidate for the presidency, and his rival, Sr Tancredo Neves, of the opposition front are mindful of the crisis of expectations they will face on taking office next year. The pressures will be greater on the opposition politician, but Sr Maluf will undoubtedly feel the need to take the sort of measures which could redress his lack of popular support.

Both men are equally aware that within the context of a cloudy economic picture their room for manoeuvre will be limited. Argentina's experience in the first year of a return to democracy under President Raul Alfonsin has been a salutory lesson to the Brazilian politicians.

The more pragmatic minded Brazilians have also resolved to avoid the mistake of digging up the past. There will be no investigations of the skeletons in the military's cupboard under a Tancredo or Maluf government.

Neither of the candidates has yet outlined in any detail what he stands for, or what changes he would introduce in his administration. Both threaten a tougher line towards the country's creditors and the International Monetary Fund,

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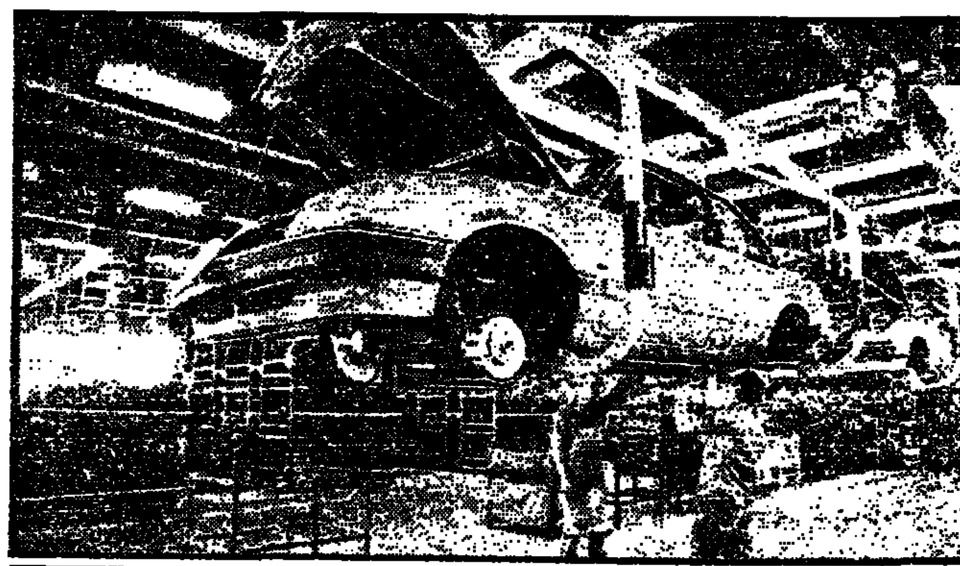


## IN THIS SURVEY

# ALCOHOL: THE BRAZILIAN EXPERIENCE

In 1975 the international oil situation coupled with the world economic crisis prompted the creation in Brazil of the National Alcohol Programme—PROALCOOL—to increase the national output of alcohol destined for industrial and automotive use.

PROALCOOL is the first major project involving the large-scale substitution of fossil fuels by renewable fuels.

Any analysis of the Brazilian fuel-alcohol experience must start from the point that the programme has been a total and unprecedented success: a success because it has demonstrated to the world that against current petrol costs the use of ethylic alcohol (ethanol) as a renewable source of energy is viable from a technical, economic and social standpoint.

**Surviving the oil shocks**

When the first oil price shock occurred, Brazil was importing 79 per cent of its domestic oil requirements while its sugar sector, with increased idle capacity resulting from modernization schemes, faced depressed prices on international markets.

PROALCOOL aimed at four ultimate goals: *to lessen Brazil's vulnerability to external events*; to lead alcohol technology; to compete with imported oil and to generate employment.

Although the Government co-ordinated and provided incentives, in all other aspects PROALCOOL was given over entirely to private enterprise, a unique decision for the otherwise State-controlled energy sector.

Initially, PROALCOOL's main concern was with sugar-sector capacity and the fast installation of distilleries beside sugar factories achieved a rapid rise in Brazil's alcohol output.

This output was then blended into "gasohol," a mixture of petrol with anhydrated alcohol up to a maximum of 20 per cent, an economically viable ratio requiring no alterations to the Brazilian vehicle fleet, and which could also utilize the infrastructure existing for the distribution of petroleum-derived products. This stage provided an interesting model for alcohol projects in other countries.

In 1979, the worsening oil crisis made viable the direct use of hydrated alcohol in specially-adapted vehicles. New targets were set for alcohol output to reach 10.7 billion litres by 1985: the amount to cover the total rise forecast for petrol consumption between 1980 and 1985. In addition, attention turned towards the development of an alcohol-chemical industry.

The increased output during this phase was largely due to the installation of autonomous distilleries outside traditional sugar areas. Thus, PROALCOOL widened the social impact by encouraging co-operatives; and by extending alcohol-producing areas, reduced regional disparities in income and employment.

The results were impressive.

Brazil's alcohol production multiplied fifteen times in less than nine years, rising from around 600 million litres in 1975/76 to the 9.2 billion litres of the current crop year: *which as an equivalent* to 127,000 barrels of oil daily, represents 25 per cent of national oil production or 14 per cent of total oil consumption. In 1984 alone this saved US$ 1.4 billion in foreign exchange.

Between 1975 and 1983, 30 billion litres of alcohol substituted 170 million barrels of oil, saving Brazil US$ 5.5 billion. Also, with less petrol required from the imported oil, spare refining capacity was used to raise Brazilian production of diesel oil by 30 per cent, without added import costs.

The present target is for 14.3 billion litres of alcohol in 1987/88 to replace 200,000 barrels of oil daily which, at current oil prices, would save US$ 2.5 billion annually.

**Alcohol Can Compete**

The proof of alcohol's success as a combustible fuel can be seen on the roads of Brazil.

*More than 1.6 million vehicles are now* entirely alcohol-powered, with the remaining 8 million of the Brazilian fleet running on "gasohol," giving alcohol a 45 per cent share in the amount of motor-fuel consumed.

Using gasohol has two beneficial side-effects, less environmental pollution and a rise in the petrol-octane. Lead-based wastes are eliminated as alcohol replaces the usual octane-enhancers such as lead and Tetra-ethyl.

*For Brazil, developing alcohol vehicles* suited its needs: 85 per cent of total vehicle sales are now with alcohol-engines, rising to 94 per cent in the passenger and mixed category. Increased heavy-vehicle registrations in the first quarter of 1984 highlights the move towards commercial vehicles, trucks and even tractors.

In less than five years since the project's launch, the 1.6 million alcohol vehicles are already 20 per cent of the national fleet.

One ambitious use for alcohol in Brazil is as a feedstock for the chemical industry, substituting the petroleum-derivative, ethylene. Using national or imported technology, various industries are now producing acetaldehyde, acetic acid, butanol, vinyl acetate, ethylene etc. from ethanol. In 1984, this sector consumed around 500 million litres per year, 240 million being from domestic market products and the remaining 260 million for export. Alcohol consumption by this sector is expected to reach 700 million litres by 1990.

With slightly lower production costs, alcohol-chemistry could feature prominently in *the future development of* Brazil's chemical industry.

So after reducing Brazil's vulnerability and leading the field in alcohol technology, alcohol is becoming competitive with imported oil as alcohol productivity increases while the real prices paid for oil also rise.

*Applying the internationally-recognised* methodology for social evaluation of projects, and adjusting market prices to social prices, alcohol production in Brazil can compete with imported oil from a starting point of US$ 29 FOB per barrel of oil.

**From Waste to Energy**

Alcohol production gives rise to two major by-products: cane bagasse and an average of 13 litres of liquid residual to each litre of alcohol.

This organically-rich liquid waste biochemically absorbs oxygen and as such is highly pollutant when discharged as effluent. However, its high potassium content makes it an ideal fertilizer and most distilleries use it to irrigate their cane brakes, cutting production costs and saving foreign exchange on imported potassium fertilizers.

Bagasse is being tried in its residual form in the manufacture of paper and cellulose, and is used as a primary energy source in distilleries. Current technology is aiming to improve the thermal balance in distilleries so in the foreseeable future surplus energy from bagasse could add to Brazil's energy reserves and bring considerable income to alcohol producers.

New methods of compressing bagasse have made transport and stocking easy and this, plus rising costs of fuel oil, has encouraged various industries to adapt their boilers to run off bagasse—transforming waste into an economic asset.

**Other Crops Benefit**

With a territory of 850 million hectares, Brazil's agricultural area totals 437 million hectares, of which only 52 million are currently cultivated. PROALCOOL's present target for 14.3 billion litres of alcohol requires a cane area of 3.2 million hectares, or 0.7 per cent of the cultivatable land.

Also, production of other crops can be raised by combining and rotating them with cane, improving yields at marginal extra costs while conserving the soil and making fuller use of production facilities.

**Socially Valid**

In social terms, alcohol production has been important in improving and developing the country's economy, creating enterprises in new areas, while maintaining social stability in traditional cane-growing regions such as Brazil's Northeast.

A total of 500,000 workers are directly involved with the current alcohol crop, and more indirectly.

But the PROALCOOL programme benefits Brazilian society as a whole: placing the country as an international leader in the development of alternative energy and, together with other projects *in this field, allowing Brazil to see on the* horizon the prospect of self-sufficiency in energy.





# Brazil 2

# Debt problems ease

## Economy

ROBERT GRAHAM

THE DEBT crisis has thrown up two separate yardsticks for measuring Brazil's economic performance. The international banking community is basically concerned with Brazil's ability to cope with its US$100bn foreign debt, the largest of any developing country. By this yardstick Brazil is doing well if the current account is generating sufficient surpluses to meet external obligations and the banks have not asked for large amounts of fresh money to service the debt.

A much broader measure, of less immediate concern to the banks, is the overall health of the economy. Here the Brazilian authorities have to demonstrate they are pulling the country out of three years of recession with inflation and public spending under control.

To the surprise of foreign bankers, Brazilian economists and the government (although it will not admit so in public), the country has shown a remarkable capacity to come to terms with the debt issue.

Thanks to an impressive trade surplus, due to a surge in exports, import substitution and *lower domestic demand*, Brazil has replenished its foreign exchange reserves. Last month it announced it would be seeking no new money from the international banks.

### Rapid turnround

This is an extraordinarily rapid turnround from the nervousness that surrounded the September 1983 *letter of intent* with the International Monetary Fund. Then there was talk of default and a sense of hopelessness that Brazil was locked into a spiral of ever-increasing external financial dependence just to service existing obligations and cover short-term trade credits.

While this turnround is a very positive achievement, restoring Brazilian morale and bankers' confidence, the other side of the coin cannot be obscured. Six letters of intent signed with the fund, laying down guidelines for domestic austerity, have failed in their fundamental objective.

Inflation has stayed above 200 per cent and seems to be on an upward curve in the last quarter. Public spending, despite considerable cuts, is still at 17 per cent of gross domestic product, an unacceptably high level. Moreover, the uncertainties surrounding the change in the presidency next March affect investment confidence and dampen the prospect, albeit temporarily, of a limited recovery gaining momentum.

The Government originally projected a US$9bn trade surplus for the year. In September this was revised to US$11.5bn but the finance ministry now expect the year-end result could be closer to US$12.5bn.

As a result the current account deficit could be substantially lower than the US$2.7bn conservatively predicted by the finance ministry. Equally the US$5.7bn net increase in reserves for the year could turn out to be conservative.

*This improved position* led to a radical reconsideration of Brazil's financial needs for 1985 during September. At one stage the authorities had talked of going to the commercial banks for about US$3bn of new money, in addition to receiving US$1.5bn in the final tranche from the IMF and other institutional loans.

*However*, Sr Ernane Galveas, the finance minister, says that Brazil will rely solely on direct foreign investment, credits from multilateral agencies like the IMF and World Bank co-financing, and suppliers' credits for 1985, totalling just short of US$6bn.

The Government envisages that 1985 will see slightly higher demand for imports above this year's US$15bn. Coupled with a cautious expectation of lower growth in the U.S. economy, vital for Brazil's exports, the trade surplus is officially expected to contract to US$10bn.

This would give Brazil a payments deficit of US$5.9bn in line with IMF calculations. Net interest payments would be US$10.7bn.

All these figures are going to be put to the test next week in New York when Brazil meets with its international creditors to discuss the third phase of the country's debt rescheduling, involving some US$9.5bn of matured debt.

In September 1983 Brazil rescheduled US$5bn worth of matured loans, secured new commercial bank loans worth US$6.5bn, disbursement of the second year of the IMF facility agreed in 1983 and had US$16bn *worth of supplier and interbank* credits reinstated.

There are two principal variables in this scenario which have proved difficult to forecast in the past — the movement of U.S. interest rates and the performance of Brazilian exports. Every 1 per cent rise in interest rate adds U.S.$700m to Brazil's debt.

In 1981, 80 per cent of *new* borrowings were for interest payments alone and now the percentage is close to 90. With 65 per cent of borrowing tied to the London Interbank Offered Rate (Libor), Brazilian debt has been marginally less affected by U.S. prime, although this remains the benchmark.

As for exports some Brazilian *businessmen* felt 1984 has been something of a freak year.

They also argue that exports rely on continued access to export finance, absence of protectionism, a competitive cruzeiro and a stagnant domestic market. Margins on exports are often being cut to the minimum and the domestic market is considered far more profitable.

### Pessimistic

This could well be an overly pessimistic view, however, Brazilian *exports have enjoyed* a steady upwards curve of growth during the past decade and now account for 10 per cent of GDP. Not only has Brazil acquired a mature export mentality, it has developed a range of highly competitive products across the board from armaments and vehicles, to textiles, footwear, steel, petrochemicals and agro-industrial products.

It has managed, for instance, to make good elsewhere the U.S.$6bn loss in Latin American markets suffered during the past three years.

Industries like petrochemicals and steel, once conceived solely in import substitution terms, are now firmly established as exporters as well.

The main bunching of debt maturities, without new rescheduling, falls due from 1986-88 when US$ 37bn will have to be paid out. Yet on the present rate of export growth and import substitution/control, Brazil should continue to meet its obligations if it wishes.

The price for this successful adjustment in the external account has been tough austerity at home with real per capita GNP falling 11 per cent between 1980 and 1983. During *the same period, industrial output* fell back by almost one-third.

The modest recovery which began to appear at the end of the second quarter of this year has been principally export-led as a result of a boom in agriculture, agro-business and industries supplying the agricultural sector.

Unemployment continues to rise although statistics give little idea of the real level since they are incomplete.

For all this hardship, the economy should return to a positive growth or perhaps 3 per cent in 1984 — compared to three successive years of negative growth. But the basic domestic problem of inflation and a high public sector deficit remains as intractable as when the IMF programme was initiated 18 months ago

The difficulty regarding inflation has been that the adjustment programme began when it was already at a high level. To this was added the impact of the February 1983 maxi-devaluation of 23 per cent accompanied by subsequent mini-devaluation of the cruzeiro against the dollar. The Government also, on IMF prodding, reduced the level of subsidies which in turn affected prices.

Meanwhile a tight monetary policy pushed up the cost of credit. However, the main villain has been the continued high level of public spending and the system of indexation which links comprehensively to inflation wages, rents, government monopoly prices, bonds, taxes, saving deposits and Certificate of Deposit.

A word that crops up in any economic analysis in Brazil is "monetary correction" — the device whereby monetary figures are adjusted to accommodate monthly inflation changes.

This means that public indebtedness is indexed and therefore the public sector borrowing requirement *(PSBR) is affected* directly by inflation. This year 30 per cent of the PSBR has been set aside to offset the increase in domestic debt due to monetary correction.

Although everyone admits the evils of this system, no one is willing to risk the consequences of trying to change it.

The government is commited *to cut to 5.9 per cent the expansion* of the monetary base this last quarter, against almost 30 per cent in each of the previous two quarters. It is unlikely to succeed.

The Government has made some attempt to cut spending by phasing out cheap rate agricultural loans in the South and by hiving off the marketing of sugar and coffee to the private sector. It is still saddled with a costly support system for the sugar cane (alcohol) industry and wheat purchases.

### Loss-making

The state also has to bankroll the large loss-making state corporations like the national *steel company and the nuclear* industry.

Efficiency and cost cutting in the public sector is complicated by the lack of clearly defined responsibility for fiscal and monetary policy. The central bank has the classic responsibilities of such an institution, yet the federally-controlled Banco do Brasil has an open credit facility with the central bank at zero nominal interest.

The central bank can issue Treasury bills whose interest payments are not included in federal budget expenditure. These two elements alone make control of the money supply difficult, and accountability for the public spending even harder. Moves are being made to reform but will not be felt before 1985.

A large public sector deficit and high inflation are the awkward inheritance for the new president. It will be tempting for the winning candidate to indulge in some populist measures like lifting real wages and devoting more funds to social security and housing. But this could prejudice recovery and stimulate inflation further.

It would certainly be a negative signal to foreign investment, at present made additionally wary by an upsurge in nationalist sentiment as evidenced by the recent restrictive law on data processing.

The best hope lies in a continued drive for efficiency within government, greater public accountability and a sustained emphasis on exports. This would mean little immediate drop in inflation or rise in living standards. But recovery would have a sounder base.

**Economic indicators**

| (Currency in U.S.$) | 1983 | 1984* | 1985** |
|---|---|---|---|
| Gross domestic product ($bn) | 210 | 217 | 227 |
| GDP change (%) | −3.2 | 3.4 | 4.5 |
| Industrial production (%) | −6.8 | 7.9 | 6 |
| Agricultural production (%) | 2.2 | 5 | 5 |
| Inflation (%) | 211 | 220 | 250 |
| Public sector borrowing requirement (% of GDP) | 15.8 | 17.9 | 18 |
| Foreign debt ($bn)† | 92 | 99 | 102 |
| Debt interest ( $bn) | 9.6 | 10.8 | 12.0 |
| Imports ($bn) | 15.4 | 14.5 | 17.0 |
| Exports ($bn) | 21.9 | 27.0 | 27.5 |

* Central bank plus IBGE forecasts

** FT forecasts

† Includes short-term non-registered debt, excludes interbank lines

Source: Brazil Economic Programme—Internal and External Adjustment

**Debt amortisation bunching**

Position December 1983 for 1985-90 in U.S.$m

| | Import financing | International entities | Currency loans | Other loans | Total |
|---|---|---|---|---|---|
| 1985 | 2,377 | (519) | 7,110 | 231 | 9,718 |
| 1986 | 1,999 | (520) | 9,885 | 889 | 12,773 |
| 1987 | 1,057 | (440) | 10,007 | 1,268 | 12,991 |
| 1988 | 1,319 | (397) | 10,007 | 872 | 12,198 |
| 1989 | 1,206 | (357) | 7,900 | 627 | 9,733 |
| 1990 | 1,049 | (301) | 5,003 | 413 | 6,465 |

Source: Compiled from Central Bank of Brazil monthly bulletin

**High on the list of pressing reforms must be the de-indexation of Brazilian economy, as the only way to break the inflationary spiral.**

# On the brink of a new era

CONTINUED FROM PREVIOUS PAGE

but neither would go so far as an outright break. The expectation is thus that a modus vivendi would be reached to allow the IMF's three-year adjustment programme to complete its term in February 1986.

All that can be safely said at this stage is that Sr Tancredo Neves, a traditional Brazilian politician, would probably take a more nationalistic *line and defend a continuing* strong role for the state in the economy.

Sr Paulo Maluf, a millionaire businessman turned polished politician, promises to run Brazil like a private company. His abilities, and Brazilians' adaptability, may make him acceptable to public opinion. But there are many who are worried that he would be unable to govern without the backing of the military.

Not that the military has shown any intentions of stepping back into the ring again in the near future. Having staged an orderly, gradual hand over of power to the civilians it is anxious to steer clear of politics.

The only circumstances under which it might be tempted to intervene would be if either candidate proved manifestly incapable of governing the counrty and social disturbances erupted on a wide scale. Even then it would require unanimity among the three branches of the armed forces to permit another coup.

Nor is there a serious danger that under an *opposition* government the military or intelligence services might be tempted to remain a "state within a *state*," watching *over* their traditional spheres of influence. Opposition politicians are confident they would be masters in their own house.

Who ever becomes President next March — and present evidence favours the 74-year-old Sr Neves—will be taking the reins of an avowedly transitional government.

His main political tasks will be to prepare the way for a comprehensive reform of Brazil's much-amended constitution, restoring the previous balance between the executive and the legislature and between the Federal Government and the 23 states and to set up direct presidential elections for his successor.

National elections to the state and federal legislatures, and to state governments, are due again in November, 1986. These could provoke an impasse—and thus a possible crisis—between a President Maluf and Congress if, as expected, the opposition parties win a majority in both houses.

Sr Tancredo Neves could also be responsible for a crisis if *his health fails* to hold out for the four years he has said he will serve. The left wing in the coalition behind him would be most reluctant to let *his* vice-presidential running mate, a conservative, former government party boss, take over.

The task of running Brazil will be made even more difficult by the need to tackle a number of pressing reforms. High on the list must be de-indexation of the economy, as the only way to break the inflationary spiral. Monetary, and to a certain extent fiscal, reforms are also needed urgently.

### Land reform

More deep rooted—and thus less likely to be tackled—are the long-standing questions of land reform and population growth.

On present trends, Brazil's population is forecast to more than double to 280m, by the middle of the next century. But no serious effort has yet been made to cope with an issue on which the powerful Catholic church in Brazil remains adamantly opposed to any form of artificial control.

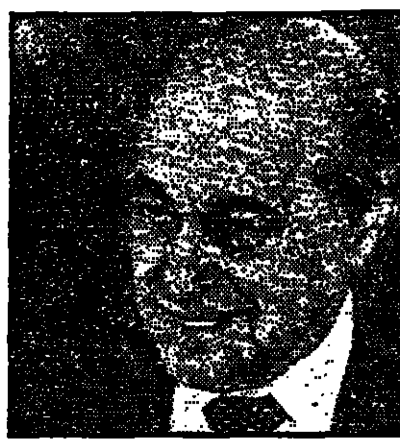
Inextricably linked to this problem is the question of poverty and the need to restore recently eroded living standards. How to keep up with the new entrants coming onto the job market, at a time when both industry and agriculture are undergoing rapid transformation to become more capital intensive, will be a big challenge.

After two decades of relative quiescence, nationalism looks as if it is making a comeback as a sword to be reckoned with in Brazil's economic armoury. A clear pointer was the recent overwhelming approval by Congress of legislation to restrict further foreign companies from the important and fast growing, data processing and telecommunications sectors.

*Notwithstanding* the rough waters ahead, Brazil remains—as always—a country of tremendous opportunity. Its mineral and agricultural resource base is enormous, its labour force hardworking, adaptable—and cheap. Foreign capital has traditionally been well treated and investment opportunities remain good.

Growth has resumed this year after a three year hiatus and looks set to continue strongly in 1985: Exports are leading the way back, especially of manufactured goods, taking a rising share of gross domestic product.

Coping with the annual servicing requirements of a foreign debt which next year will top U.S.$100bn could, however, be a *serious constraint for the incoming government.* Much will depend on the attitudes Brazil's creditor banks and governments take next week and over the following 12 months.



The two contenders for the presidency. On the left Paulo Maluf, regarded as a maverick outsider yet within the ranks of the military's political wing. On the right, Tancredo Neves, seen as a compromise candidate supported by the opposition parties.

# Changes bring uncertainty

## Politics

ANDREW WHITLEY

DISHEARTENED BY failure to go out in the blaze of glory he so badly sought, an embittered General Joao Figueiredo is due to lead Brazil's military back into their barracks next March 15.

After more than 20 years of occasionally repressive, but often lax, rule, the regime is surrendering power to the country's civilian politicians without a fight. And one of the longest running military-led governments on the continent will come to an unmourned end.

The soldiers are not being voted out of office, nor ejected by a reformist-minded group of officers, nor, in the last analysis, pushed out by the weight of public pressure. Rather the Brazilian military regime has collapsed internally, unable even to arrange a smooth transition to the politicians nurtured over the past two decades in its own side.

### Speeded up

The unprecedented recession of the past few years, combined with the impact of the debt crisis, undoubtedly speeded up the handover. Until as recently as last year senior generals were confident of remaining in power—at least behind the scenes—until 1991, when the next six year presidential mandate expires.

The "abertura" programme of controlled political and social liberalisation set in motion in the late 1970s had permitted the resumption, within certain limits, of normal political activity. But the grand strategy did not take into account the consequences of the medical problems President Figueiredo has suffered.

To all intents and purposes the former national intelligence chief abandoned his government some time late last year. Since then he has been very publicly counting the days until he can retire, breaking off only to berate all politicians—those from his side and the permitted opposition—for being "ungrateful traitors."

Discredited by economic failures and a spate of unaccounted for scandals, the ship of state has thus drifted rudderless for many months, an easy prey to being hi-jacked.

The Government's near paralysis in the face of events encouraged the opposition—a mixture of politicians who stayed the course during the repression, returned exiles and a few new growths—to press boldly earlier this year for a clean break with the past as soon as possible. The method chosen: a mass campaign for direct presidential elections this year.

This the military high command, fearful of the populist forces that might be unleashed, refused absolutely to countenance. The existing ground rules, whereby a 686-member Electoral College chosen on the basis of the 1982 national elections would select the President from party nominations, had to be preserved.

The political legitimacy of this selection procedure had been undermined by the way in which the Figueiredo Government carefully arranged the composition of the College to try and ensure that its supporters had a built-in majority.

Figueiredo himself, in an unguarded moment, further diminished its validity by admitting his own preference for direct elections for his successor. But the hard line view—out to block at all costs the possibility that Sr Leonel Brizola, the former radical firebrand who still commands much public support, might be elected President—prevailed.

What this stubborn refusal to bend to the weight of overwhelming public opinion, as expressed in a series of million-strong rallies, has produced is the most clear cut political choice Brazil has faced for decades.

Sr Paulo Maluf, a maverick outsider from within the ranks of the military's political vehicle, the Partido Democratico Social, has captured the official nomination for the Presidency. However, in the course of achieving his goal he has split the party irreparably and lost that near-automatic majority in the Electoral College.

The opposition parties, led by the broad church Partido do Movimento Democratico Brasileiro, the PMDB, responded pragmatically to the prospect of success being handed to them on a plate. The direct elections campaign was quietly dumped—with hardly a voice of protest from the public at large—as they rallied around a compromise candidate. Sr Tancredo Neves, a Conservative old school politician, was deemed the best man capable of beating the unpopular Sr Maluf in next January's Electoral College vote.

### Humiliation

The only dissatisfaction with this about turn has come from the Partido dos Trabalhadores, or PT, the small, grass roots Workers Party. It refuses to sully its political virginity by associating itself with the military's succession procedure. But in electoral terms the PT is a lightweight.

On present form, the 74-year-old Sr Neves looks almost certain to complete the military's humiliation by beating his rival. Senator Fernando Henrique Cardoso, a senior PMDB figure, gives the opposition candidate a 100 vote advantage today.

Nearly all political commentators agree that Tancredo Neves is the favourite. Behind him a broad bandwagon of support, ranging from dissident government politicians to the banned communist parties, is gathering steam.

The main doubt is whether, on January 15, he will be able to translate that support into votes. Sr Maluf, an American-style machine politician, has repeatedly demonstrated his ability at coming from behind and at "buying" support.

Both men are conducting their campaigns at two levels. They are seeking the pledged support of the Federal Congressmen and state Assembly delegates who make up the Electoral College, and they are out on the hustings seeking popular support.

Ideology plays little part in the contest. To date neither man has produced a specific platform. However, Sr Neves is more traditionally nationalist than the pure, free market minded Sr Maluf, the son of a poor Lebanese immigrant.

Over the past few years under the Figueiredo Government political life has returned to Brazil with vigour. Lively debates are conducted in the Press and on radio and television. Participation in local and national politics has reached previously unknown heights, crossing class and geographical boundaries.

Hence the strategy of the Tancredo camp, of reaping the benefits of the strong swell of opinion in favour of a speedy return to full democracy. Barring last minute surprises, of which Brazilian politics are always capable, the tide of support behind the opposition may well prove in practice to be unstoppable.

Brazil is thus about to enter a new political era, very different from the outgoing technocratic phase. Deals will have to be struck and a balance sought between the competing claims of regional and political interests.

Sr Tancredo in particular is dependent on a loose coalition of support, which could easily break up in the months after he takes office. Party politics in Brazil have not yet reached a sufficient state of maturity to permit stable alliances.

Moreover, all sides are aware that the new government will be an avowedly transitional one, leading up to promised direct elections next time round. Sr Tancredo has also committed himself to the calling of a Constituent Assembly in 1986, to clean up a national constitution much amended by the military in favour of the executive and central rule.

Until the country's new masters have learnt the ropes, the prospects are for a phase of uncertainty and, possibly, weak government. Sr Maluf, if he wins, has by contrast promised strong, decisive government.

But the popular reaction to him could make his administration unworkable without clear military support—and the generals are in no mood to shore up the man most of them also heartily dislike.

# Sharp gains in US trade

## Exports

ANDREW WHITLEY

BRAZIL'S FOREIGN trade performance this year has been the most impressive of any Latin American country. The US$9bn surplus target set by the International Monetary Fund will be comfortably exceeded, bringing relief to both the Figueiredo Government and the country's creditors.

Thanks to higher than expected exports and a powerful burst of import substitution, the surplus is now likely to be over US$12bn, double last year's record figure. In consequence, Brazil has been able to rebuild its much depleted foreign exchange reserves and virtually eliminate the danger of default on its foreign debt payments.

Exports of manufactured goods and primary products have risen strongly this year—by more than 20 per cent—after a sluggish 1983 performance, and are likely to top US$26.5bn. Non-oil imports are also beginning to pick up again, in the wake of the general recovery now underway. But the significant decline in crude oil purchases from abroad, resulting from higher domestic output, will keep the total import figures down to about US$14.5bn.

Much of the credit for the striking improvement in Brazil's trade balance must go to the U.S. recovery. Long Brazil's leading customer, the U.S. this year is expected to record a U.S.$4bn deficit in its trade with the Latin American country.

At a time of continuing depressed domestic demand in most sectors, manufacturers have been scrambling over themselves to freight aircraft to get their shoes and textiles into the U.S. market as fast as possible. Orange juice, vehicle components and—until the recent imposition of across-the-board countervailing duties and surcharges—steel have also all been big selling items.

Brazilian exporters have also been making inroads into new markets in the Middle East, South East Asia and the Far East. Iran and China are both regarded as good prospects for long-term growth in a wide range of products.

As for Brazil's other traditional trading partners, Western Europe, for one, has shown only patchy growth. Demand from Latin America, in contrast, has picked up significantly from the disastrous depths it reached in 1983.

The achievement of steadily-rising trade surpluses was adopted by the Figueiredo Government early on in the debt crisis as the most practical, step-by-step approach to reducing the annual debt servicing requirement.

To help make this possible, the cruzeiro was devalued by 23 per cent in February, 1983. Subsequent "crawling-peg" mini-devaluations have maintained the benefit, matching devaluation exactly to the course of internal inflation.

Critics argued that the strategy could only work in the short term as export growth would eventually slow down to a natural plateau while imports were bound to resume an upward course once the Brazilian recession had lifted. Events appear to be proving this thesis correct.

The official forecast for 1985 is for a downturn in the surplus, to $10bn, based on exports remaining virtually stagnant at around this year's level of $27bn and on an increase in imports to $17bn.

Further ahead, no one in the Government is prepared to guess publicly what the trade surpluses will look like, despite pressure from the creditor banks for some kind of a working estimate. The reluctance is understandable in view of the number of factors outside the Government's control, such as the weather and commodity prices.

In addition, there is an unwillingness to enter into commitments which would reduce the country's future bargaining boom. Manufactured goods today represent 54 per cent of Brazil's total exports, up from 44 per cent in 1980. Primary products, in counterpoint, have declined over the same period from 43 per cent to 35 per cent. The balance is made up of processed raw materials.

Nevertheless, Brazil is still very much at the mercy of fluctuating world market prices for its major commodity exports: coffee, soya, cocoa and sugar.

Several of the factors which made this year's trade surplus possible are unlikely to be repeated. These include the substitution of imported oil by domestic output (now nearing its likely peak); a once-off switch-away from imported finished goods and components; an artificially depressed internal market already showing signs of recovery; and, of course, the exceptional strength of the U.S. "boom."

The external sector of the economy has risen from 7 to 10 per cent of gross domestic product over the past five years, and is bound to take an increasing share in the coming years. Nevertheless, in the short term at least, export growth is likely to be slower than it has been in 1984.

Much will depend on the extent to which existing trade barriers in western industrialised countries can be overcome, and new restrictions avoided. Many of Brazil's manufactured goods, notably shoes, textiles, steel and wood products are already running into a significant degree of resistance in the U.S. and Western Europe.

Partly to overcome these problems, the Figueiredo Government recently took steps to defuse criticism over Brazil's own protectionist practices. Import curbs were liberalised and a controversial tax break scheme, long under fire from the U.S. and the General Agreement on Tariffs and Trade (Gatt) was abolished.

Brazil's exporters simultaneously face greater uncertainty over the availability of credit, after the withdrawal of bank credit subsidies and the transfer of responsibility for the provision of finance from the state to the private banking sector.

The reduction in cheap finance has been compensated for by greater competition achieved through the devaluations of the past year or so. The new administration will also have to decide soon what its exchange rate policy is to be.

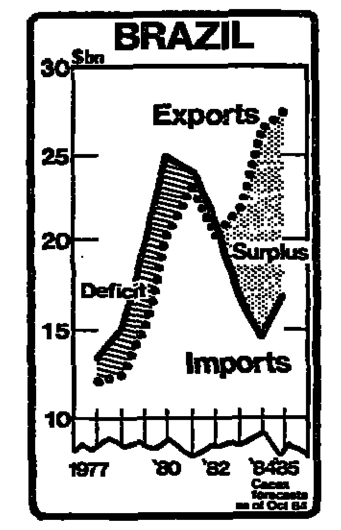
One possible reform would be to move the cruzeiro away from its present heavy dependence on the U.S. dollar, towards a basket of currencies reflecting more closely Brazil's trade flows. Exporters have complained loudly this year about their loss of competitivity in European and Japanese markets as a result of the recent strength of the U.S. currency.

**Quarterly trade totals**

(U.S.$bn)

| | | EXPORTS | IMPORTS Oil | IMPORTS Non-oil | IMPORTS Total | SURPLUS |
|---|---|---|---|---|---|---|
| 1983: | Q1 | 4.56 | 1.98 | 1.84 | 3.82 | 0.74 |
| | Q2 | 5.80 | 1.99 | 1.66 | 3.65 | 2.15 |
| | Q3 | 5.93 | 1.97 | 1.94 | 3.91 | 2.02 |
| | Q4 | 5.61 | 1.87 | 2.17 | 4.02 | 1.59 |
| 1984: | Q1 | 5.63 | 1.62 | 1.53 | 3.19 | 2.44 |
| | Q2 | 7.02 | 1.85 | 1.56 | 3.41 | 3.61 |
| | Q3 | 7.34 | 1.68 | 2.10 | 3.78 | 3.56 |

Source: CACEX, Foreign Trade Department of Banco do Brasil




# Range of services widens

## Banking

ROBERT GRAHAM

"OUR BANKS are now like financial supermarkets," says Sr Marcelo Marques Moreira of Unibanco, one of Brazil's leading private commercial banks.

The range of financial products and services offered by Brazilian banks makes the supermarket tag the most appropriate. But even this does not convey the full range of bank activity.

The banks act as a collecting agency for the federal and state governments, and have some of the characteristics of the British post office. For instance, they disburse pensions on behalf of the Government.

The banking system is a unique one, reflecting the federal structure of government, the country's huge size and the authorities' desire to stimulate private enterprise alongside a powerful state presence.

The system remains dominated by the presence of the federally-controlled Banco do Brasil. With assets of Cruzeiro 50 trillion (U.S.$25bn), Banco do Brasil almost matches the combined total assets of the leading 20 private commercial banks. The bank accounts for 22 per cent of all loans in the banking system and possesses 17 per cent of the country's cash deposits.

Banco do Brasil has long concentrated least on pure commercial banking and has acted as a catalyst to promote internal development, to support agriculture in all its forms and to promote foreign trade. Almost two thirds of all rural credit is supplied by Banco do Brasil.

The bank in many instances is the government's agent. It has for instance been used as the main financier of the government's campaign to promote the use of alcohol as a substitute energy input.

The Banco do Brasil enjoys a privileged — some say incestuous—relationship with the central bank. It has the facility of a credit window which permits access to unlimited credit at no cost. Free use of this in the past has been one reason behind the uncontrolled growth of money supply.

Parallel with the Banco do Brasil are 16 other official commercial banks whose main function is to service the individual states. The main privilege the latter banks enjoy is greater freedom of the use of their deposits.

While the private commercial banks are obliged to place 50 per cent of their demand deposits with the central banks, these official banks need place no more than 15 per cent.

### No guarantee

The relationship between the official banks and the private banks is not as unequal as it might seem. The official banks are obliged to be involved in many operations with socio-political objectives rather than pure financial returns, thus leaving the more profitable short-term operations with the private sector.

Moreover, during the past three years of recession, access to state and federal business has not been a guarantee of profitability. The greatest number of non-performing assets has been in the state sector.

At present the publicly-owned commercial banks account for 36 per cent of all credit in the banking system and 24 per cent of deposits, while the private commercial banks account for 34 per cent of credit and 33 per cent of deposits.

The remainder of credit is supplied by investment banks and finance houses which, incidentally, attract 41 per cent between them of the public's deposits, reflecting their more aggressive and imaginative marketing with a discerning public seeking to protect savings from inflation.

The real share of the private commercial banks in lending and attracting savings is effectively higher since the majority of investment banks and finance houses are part of bank groups.

In August, the national monetary council, Brazil's main economic policy body, approved a series of reforms designed to separate Banco do Brasil more clearly from the central bank. As a result Banco do Brasil will now be freer to act in all areas of domestic banking. With an unrivalled network of 3,150 branches, the bank would seem to be in a powerful position to capture more business.

The commercial banks are sanguine over the prospect. They believe that on a purely operational basis they are more efficient and that if the bank does begin to encroach, then it will have to agree to be treated without privilege.

For instance, the strict rules on branch openings have at times been bent in favour of Banco do Brasil, but there is an inherent check on Banco do Brasil establishing a sort of monopoly position: only 60 per cent of its capital is in federal hands, the remainder largely held by private financial institutions, who have some say in its behaviour.

During the year the commercial banks generally have been finding that competition has been much tougher for business.

The overall level of sight deposits declined in real terms by 7 per cent. The sharpest decline was among sight deposits held with the 72 commercial banks who encouraged clients to hedge inflation with a switch to term deposits.

The switch was less noted in the case of Banco do Brasil (3.8 per cent decline in sight deposits) because of the greater quantity of official deposits held by the bank. The decline in the amount of credit made available was more marked. This was due to high interest rates and investment uncertainties.

Private commercial bank lending was down on average by 21 per cent, while official bank lending dropped 25 per cent—a direct result of public spending cuts. Significantly, Banco do Brasil's lending was down 42 per cent.

This downturn in activity has affected bank profits. Average return on assets among the commercial banks was 7 per cent, historically low by Brazilian standards. Bankers maintain that part of this poor return was due to increased provision for bad and doubtful debts, including the classification of debt with state entities as non-performing.

For the coming year unpaid debts due from state entities will be reclassified as performing, so improving balance sheets. The balance sheets themselves have to be read with care because banks have adopted differing criteria of caution in adjusting for high inflation.

High inflation combined with the recession has begun to single out the efficient banks, and in particular those which began to invest in automation early on. Yet one of the most profitable sources of business for banks remains the system whereby they are able to hold the 9 per cent employers' social security deduction for 39 days (it used to be 45) before passing this on to BNH, the national housing bank.

The sole cost of this money is that of administration and it is excluded from the proportion of funds which the banks are obliged to place with the central bank.

### Cash in the till

In addition to the 50 per cent of demand deposits the banks are obliged to place with the central bank, they have to place a further 4 per cent as cash in the till and set aside another 12 per cent for small and medium businesses which can be lent out only at three per cent above monetary correction.

Only 15 per cent of all demand deposits are in fact available for use at "free" interest rates. This system, while useful for channelling investments, distorts interests rates, forcing the bank to recoup their low returns on their non-free funds.

Banco do Brasil has a tremendous edge on the other banks through its rural network where it is able to pick up deposits at around 12 per cent while the other banks are usually having to pay around 29 per cent. This is one explanation for the bank's continued high profits.

Among the private banks the past year has seen Bradesco and Itau move to consolidate their lead. Both of these banks have almost double the deposit base of their nearest Brazilian rival. Meanwhile only 10 of the 72 private commercial banks have passed the Cruz 500bn deposit mark.

The most upwardly mobile bank is Citibank's Brazilian subsidiary which now ranks third in importance among the private banks

# Campos puts the country in the big league

## Oil & gas industry

FIONA THOMPSON

BRAZIL WILL produce sufficient oil to meet its own needs—and go some way to smoothing the troubled waters of the nation's economy — by the early 1990s.

According to Petrobras, the state oil monopoly, the country is now close to 80 per cent self-sufficiency, no mean feat considering that as recently as 1982 crude oil represented over half of Brazil's total import bill.

The turning point came with the first oil crisis in 1973-74. Deeply dependent on oil for its heavy industry and vehicle fleet, the price shock prompted Brazil to launch a big domestic exploration drive in an attempt to rid itself of its strategic dependence on imported crude.

The initial results were not impressive. In 1979 Brazil's total domestic production of crude oil was 171,000 barrels a day (b/d), down 3,000 b/d from the 1973 figure.

In the past five years it has been another story—an amazingly successful one. By 1982 production had climbed to 268,000 b/d, last year saw a total of 340,000 b/d and last month, Petrobras announced that the country's output is now running at about 513,000 b/d—triple the 1979 total.

By March of next year, Sr Cesar Cals, Mines and Energy Minister, predicts that production will rise to 600,000 b/d.

Much of the credit must go to the trump card in Brazil's oil hand, the Campos Basin.

Located between 80 and 120 kilometres off the coast of Rio de Janeiro state and totalling an area of approximately 36,000 sq km, Campos has leapfrogged Brazil into the big league.

The first commercial strike came in December 1974 and led to the first field—Garoupa. By 1979 Petrobras had drilled 100 wells in the Basin and a pipeline system began delivering oil and gas to shore in 1982.

### Number three

More than 300 wells had been drilled by the start of this year and according to Sr Sebastiao Vilarinho, Petrobras superintendant of production, Campos is now producing an average of 278,000 b/d. By October next year, Sr Vilarinho says output could reach 352,000 b/d.

The success of the project has pushed Brazil to number three on the ladder of leading Latin American oil producers, after Mexico and Venezuela.

According to Petrobras, each dollar invested in the Campos Basin shows a return of nearly $6. The savings in oil consumed which would have to be imported if Campos did not exist amount to around $5bn—not an insignificant sum to a country shouldering a $100bn foreign debt burden.

Petrobras expects to have made a total investment in Campos of $7bn by 1985, Sr Vilarinho says. The break even point will be reached in three to four years.

An equally crucial gain has been the acquisition by Brazilian domestic industry of the technical expertise and capacity in this most difficult field of offshore oil prospecting and production.

Petrobras is a highly nationalistic company — witness its slogan "the oil is ours." When foreign companies were invited in the 1970s to submit bids to provide technical services such as hook-ups, laying pipelines and drilling activities, Petrobras advised them that joint ventures with Brazilian companies were vital to winning contracts.

A British company, Worley Engineering, in conjunction with Montreal, a Brazilian construction company, and Micoperi, an Italian company specialising in marine operations, won the contract to provide the first hook-up in Brazil—for the Enchova platform in the Campos Basin.

### Hook-up deal

This formed part of a $300m deal the consortium won to instal modules and hook them up in three Campos fields, Garoupa Enchova and Cherne 2. Work started in 1981 and was completed this year.

Montreal supplied the manpower, Micoperi transported and lifted the modules, and Worley, with its expertise gained in the North Sea, provided the planning work and supervision.

Many such contracts were signed. The 1970s were a seller's market for those foreign companies with the know-how Brazil needed to help bring the Campos Basin on stream.

The companies were paid in U.S. dollars—not so now. The onset of Brazil's financial crisis two years ago no doubt acted as deterrent, as hard currency was simply not available for such purposes. But, as more and more contracts were successfully completed, Brazil gained the necessary expertise to do the job itself the next time. time.

"Petrobras now offers 50/50 contracts, half in U.S. dollars and half in cruzeiros," Sr Oldano Fonseca, director of Worley's Brazil operations said. "And the companies accept because, though Brazil is still one of the best markets, it is now very tight. The participation of foreign companies will continue to decline as the Brazilians acquire the necessary technical expertise."

Foreign companies will always be needed, Sr Fonseca feels, "but we shall have to be more creative. We have to sell ideas."

One area Petrobras concedes still requires expertise from abroad is in deep water exploration and drilling. The eight producing fields in the Campos Basin, all named after Brazilian fish, are grouped into two production "poles" to the north and the south, in water depths ranging between 90 and 250 metres.

An "early recovery system," a semi submersible floating production vessel linked to fixed platforms by flexible lines, is producing in a water depth of 293 metres in Petrobras' Corvina field and the company is continuing exploration even deeper.

Although 170 risk contracts have been signed to date, foreign companies participating in the search for oil and gas in Brazil have not had much success. The only exception is a Pecten/Chevron/Union Oil consortium which struck oil in the Southern Bahia basin in 1981. The discovery is still to be assessed.

The multinationals are here: Shell, BP, Texaco, some involved in oil, some in gas, but their main role is in distribution. Shell, the largest privately owned company in Brazil, has 3,700 service stations throughout the country and a 20 per cent market share in distribution.

Brazil's proven natural gas reserves increased by 12.8 per cent last year to 81.6bn cubic metres, mainly due to exploratory work in the Sergipe/Alagoas and the Upper Amazon basins and the development of production activities in the Campos Basin.

The bulk of the gas sold was used as petrochemical raw material and raw material for the production of fertilisers, the remainder for fuel and smelting in steel mills.

Until quite recently Brazil had not attempted to utilise to any extent its natural gas and the government has yet to decide formally on a policy. It has, however, as in the case of oil, declared its monopoly interest. This may be a good sign.

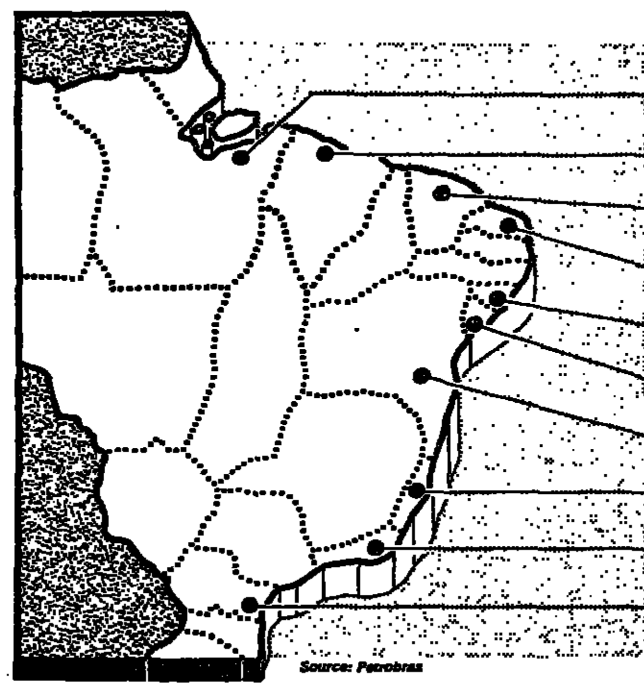
**Consumption and output of crude oil**

(000 b/d)

| Year | Total consumption | Increase % | Domestic production | Increase % |
|---|---|---|---|---|
| 1973 | 787 | 21.6 | 174 | 1.8 |
| 1974 | 854 | 8.5 | 182 | 4.6 |
| 1975 | 904 | 5.9 | 177 | −2.7 |
| 1976 | 985 | 9.0 | 172 | −2.8 |
| 1977 | 1,003 | 1.8 | 166 | −4.5 |
| 1978 | 1,095 | 9.2 | 166 | — |
| 1979 | 1,165 | 6.4 | 171 | 3.0 |
| 1980 | 1,122 | −3.7 | 188 | 9.9 |
| 1981 | 1,062 | −5.3 | 220 | 17.0 |
| 1982 | 1,056 | −0.6 | 268 | 21.8 |
| 1983 | 954 | −9.1 | 340 | 26.9 |
| 1984† | 960 | — | 460 | 35.3 |

† Estimated.

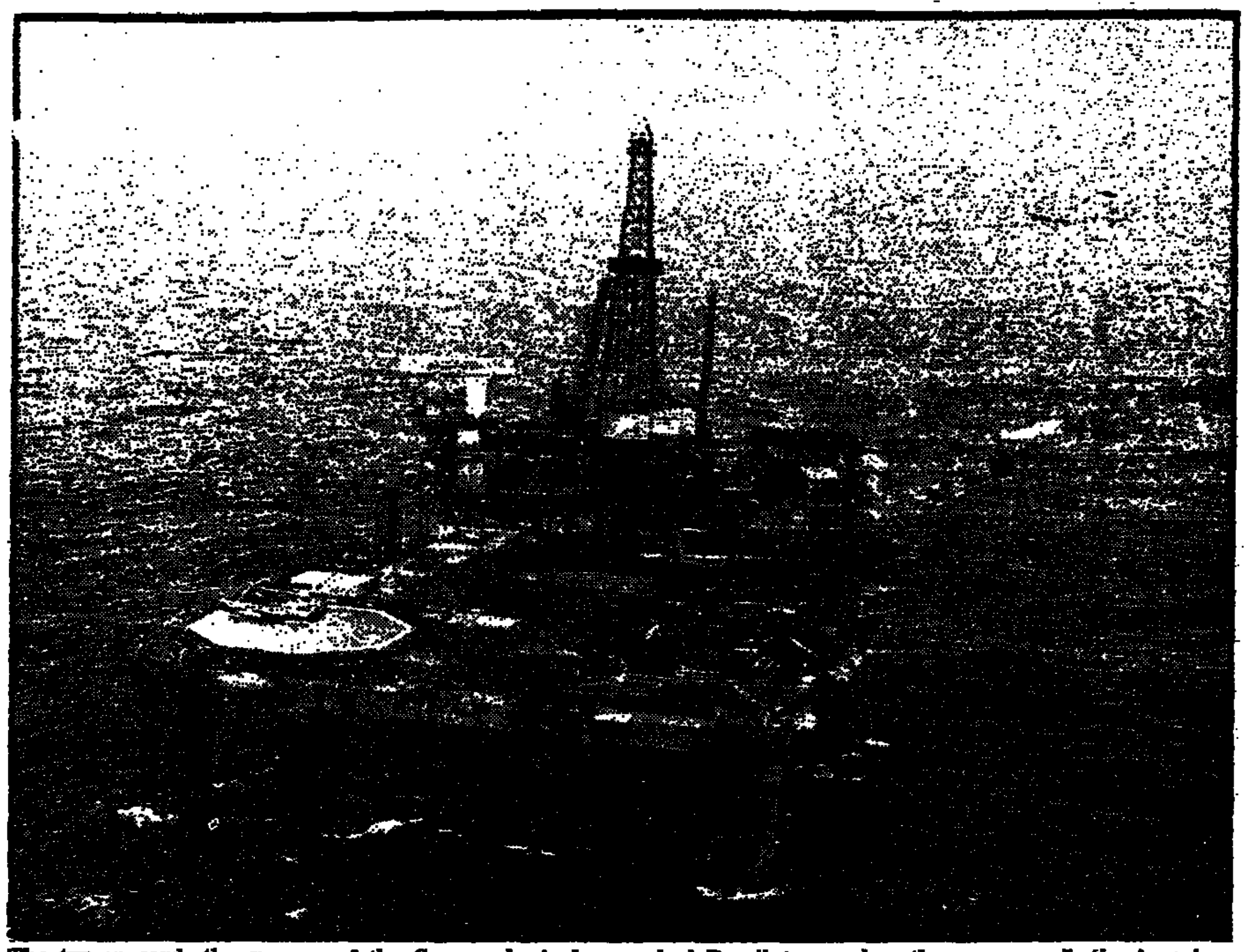
Source: Petrobras



JULY 1984 Production (b/d)

| | On shore | Off shore | Total |
|---|---|---|---|
| Pará | — | 800 | 800 |
| Maranhão | 25 | — | 25 |
| Ceará | 1,500 | 25,300 | 26,800 |
| Rio Gde Norte | 16,300 | 14,400 | 30,700 |
| Alagoas | 7,700 | — | 7,700 |
| Sergipe | 40,575 | 14,600 | 55,175 |
| Bahia | 75,800 | 6,100 | 81,900 |
| Espirito Santo | 18,400 | 4,800 | 23,200 |
| Rio de Janeiro | — | 274,000 | 274,000 |
| Paraná | 700 | — | 700 |
| Total | 161,000 | 340,000 | 501,000 |

Source: Petrobras



The trump card: the success of the Campos basin has pushed Brazil to number three among Latin American oil producers. Above, an oil production platform in the Campos basin.

# A healthy $1bn squeeze

## Agro-industry

BRIAN GOULD

AGRO-INDUSTRY has always been a powerful arrow in the quiver of Brazilian exports. Year in, year out it has turned in a steady 22 per cent of total foreign sales: only the composition of products has varied.

Orange juice is the remarkable new star performer; before 1976 exports had never reached as much as U.S.$100m in any one year, but by 1978 they were up to U.S.$300m, and then jumped to over U.S.$600m in 1981.

Thanks to last December's sharp frost in the Florida orange groves, this year sales are likely to top the U.S.$1bn mark, more than 50 per cent up on 1983.

Based in the state of Sao Paulo, where the number of orange trees has doubled in 11 years to some 112m, the industry owes its success directly to the three successive winters of frost in Florida. The U.S. is Brazil's main market, taking about half its concentrated orange juice exports.

Given the sharp price variations that afflict agro-industrial products on world markets, it has been quite an achievement for Brazil to earn a steady U.S.$4.5bn, from these items in successive years. As one has declined, another product has risen to take its place.

### A new plateau

Based on figures for the first half of the year, the sector looks set to push up total earnings abroad to a new plateau of U.S.$5.5bn, in 1984. Apart from orange juice, the other big performers are soya bean products—meal and oil—which should contribute some U.S.$2bn over the 12 months.

Other agro-industrial products which are doing exceptionally well are frozen and processed beef (a beneficiary from the decline of Argentina's sales to the U.K. after the 1982 Falklands war) and leather skins.

A more unexpected hard currency earner, for those unfamiliar with Brazil's diversity on the farm, is tobacco. BAT Industries' local subsidiary, Souza Cruz, now claims to be the world's largest exporter of leaf tobacco.

Tobacco sales in the first half of this year amounted to U.S.$240m, almost exactly the same as in the same period in 1983.

Cacex, the foreign trade department of Banco do Brasil—in effect the country's foreign trade regulatory authority—controls orange juice exports very closely. It sets quotas for each company and frequently adjusts the minimum sale price, in an effort to maximise the benefit.

This eagerness to push up the price can sometimes backfire. In Britain, for example, Brazilian orange juice sales declined last year to U.S.$6.4m, from U.S.$18.5m in 1982, but overall the policy has brought dividends.

The Cacex policy tends to discourage competition and encourage concentration in the industry. In an overwhelmingly export-orientated industry (Brazilians prefer their fruit juices freshly squeezed), three-quarters of export volume is in the hands of just three companies: Utrale and Citrossuco Paulista, with about 30 per cent each, and Cargill Citrus with 15 per cent.

Cargill, owned by Cargill Inc, the U.S. commodities giant from Minneapolis, first entered the Brazilian orange juice business in 1977. Its Sao Paulo state crushing plant now has an output of 90,000 tonnes a year. A second 40,000 tonne plant is under construction nearby, at a cost of U.S.$25m.

Souza Cruz, which has a dominant 80 per cent share of the Brazilian cigarette market, has been engaged for some time in a strong policy of diversification into other agro-industrial areas. Last July it acquired, for approximately U.S.$39m, a north east-based fruit juice concern called Maguary.

Maguary is the biggest company in the domestic industry producing canned and bottled tropical fruit juices—passion fruit, cashew fruit, mango and other more exotic species—for the retail trade.

BAT had previously gained experience of the fruit juice export business through its Suvalan offshoot, producing mainly grape juice in the temperate south of Brazil, and its new acquisition means it is getting ready to titillate Northern hemisphere palates with more exotic flavours.

Foreign investment is also strong in soyabean crushing, one of the great Bazilian growth industries of recent years, responsible for transforming rural life and farming patterns in states such as Parana and Mato Grosso do Sul.

Cargill and Anderson Clayton of the U.S. are among the leading producers in the soya bean crushing sector. Most meal is destined for export in the form of cattle cake, while a significant proportion of the oil is consumed at home.

Europe is the main market for soyabean products. The EEC alone takes about 45 per cent of Brazil's exports, Spain about another 8 per cent and the Soviet bloc a further 20 per cent.

For nearly 10 years, EEC crushers led by the French have been fighting a running battle, in the corridors of the Berlaymont building—the European Commission's Brussels headquarters—against what they call unfair competition from Brazil.

### Insecurity

Brazil has so far successfully fended off the attacks, but its heavy dependence on the West European market imparts a feeling of insecurity.

French poultry farmers also began to get upset four or five years ago about "unfair competition" from Brazil when their chicken exports to the lucrative Middle East market showed signs of declining. Since then their protests have been joined by voices from the U.S., as Brazilian exports began to make increasing inroads around the world.

Over the last year or so the Brazilian industry has suffered a serious setback. Soaring feed prices put many hundreds of poultry farmers out of business. Output between January and May this year, for example, was 12 per cent down on a year earlier. Exports were also down in volume terms by a similar margin.

The Middle East remains the main export market, with about one third of all exports usually going to Saudi Arabia and a further 20 per cent to Iraq. In the past Iran has also been a good customer and may become so again.

The extent to which single massive orders can transform the prospects for food industries was brought home for Brazilian chicken and beef exporters recently.

As part of a government-to-government deal, whereby Brazil agreed to maintain its liftings of Iraqi crude oil, Baghdad placed orders for US$150m worth of chicken and US$130m-140m worth of beef. The chicken deal alone came to three times Brazil's total sales to Iraq last year.

The frozen chicken business is concentrated largely in Santa Catarina in the south. Most of the big companies, such as Sadia, Perdigao and Chapeco—all owned by local capital—are located there.

These and other major producers have suffered recently less severely than their small competitors, but even so their outlook was pessimistic until the Iraqi order came along last month.

In contrast with the chicken business, Brazil's fast-growing beef industry is dominated by major foreign companies. Frigorifico Anglo, part of the Vestey family's enormous holdings, was the sixth-ranked beef producer in 1983. Swift Armour, a subsidiary of the U.S. meat giant, was second on the list.

Modernising agriculture in Brazil still has a long way to go as this team of oxen in the state of Espirito Santo illustrates

# Good demand but higher prices resisted

**Commodities**

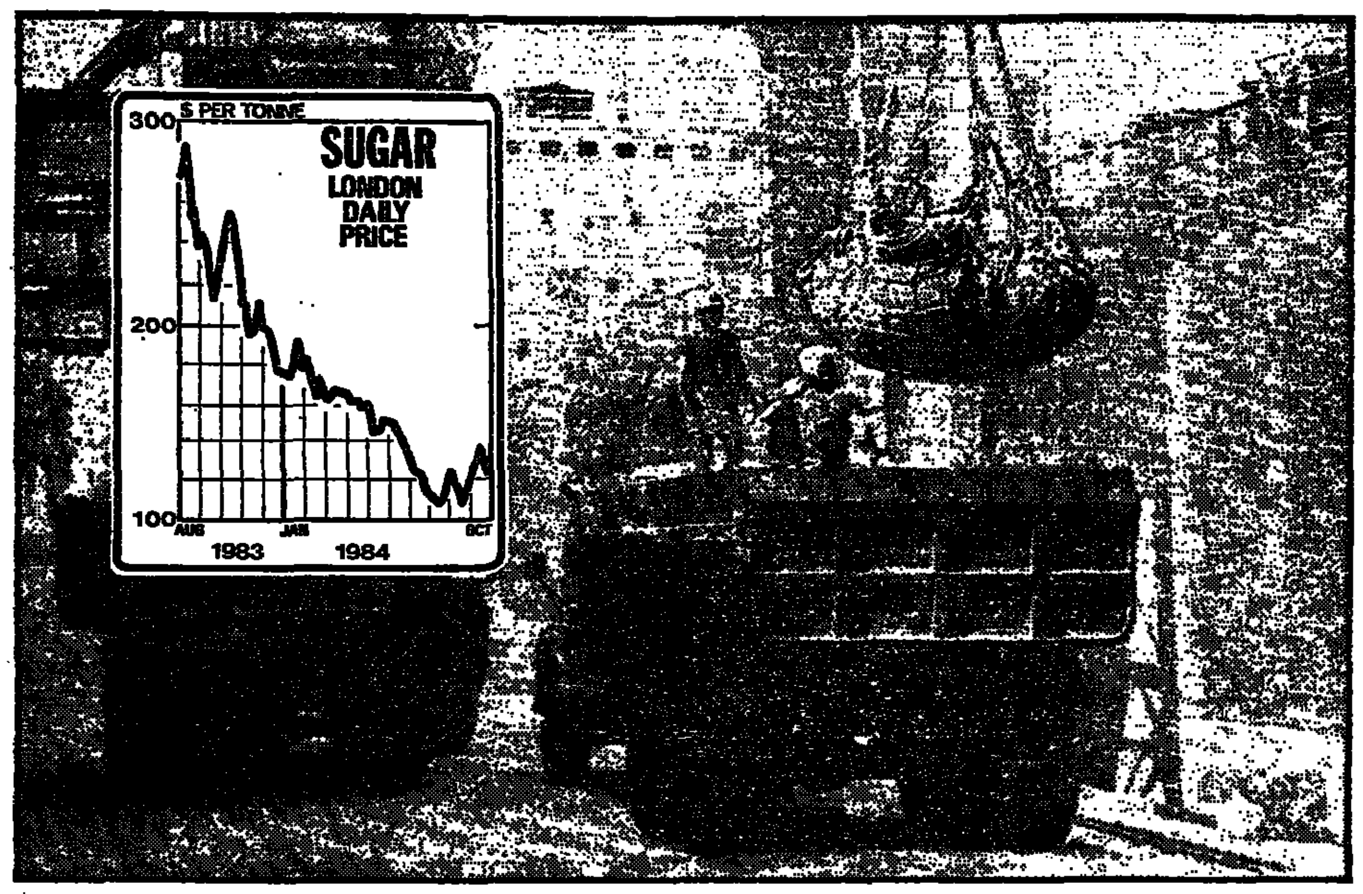
JOHN EDWARDS

IF BRAZIL is to have any chance of solving its debt problems, it needs a big general upturn in world commodity markets to boost its foreign exchange earnings.

So far in spite of the recovery from recession in the industrialised countries the expected boom in prices has failed to materialise, but Brazil has certainly benefited from buoyant prices for some of its leading commodity exports — cocoa, coffee and on a smaller scale orange juice, pepper and sisal.

Soyabean failed to live up to earlier expectations in spite of a world shortage of supplies resulting from the shortfall in the U.S. crop last year. Metals too, have been sluggish performers, although Brazil has stepped up its production of tin considerably, much to the annoyance of tin producer members of the International Tin Agreement who have been forced to cut their output sharply to maintain world prices.

Last year's boom in aluminium faded and iron ore values remain depressed by the lack of expansion in the world steel industry. Sugar continues to be an unmitigated disaster area, with dollar prices at the lowest level since 1971 although the dollar is worth a lot more.




Loading sugar for export at Recife

## Distorted

The unexpected strength of the dollar has generally distorted world commodity markets, since it is the basic currency used for trading most raw materials and Brazil as one of the leading exporters has been forced to cope with the resultant problems.

While the U.S. has benefited from stable, and even cheaper, prices for many raw materials, countries with weak currencies have been forced to pay a lot more and reduced demand accordingly. So Brazil faces good demand in countries with dollar based currencies and resistance to higher prices in other parts of the world.

This was well demonstrated at the recent negotiations to decide coffee prices and export quotas, set by the International Coffee Agreement, for the 1984-85 season. European consumer countries, who have been paying a great deal more for their coffee in the 1983-84 season, led the fight to resist any increase in the Agreement's price range of 120 to 140 U.S. cents a lb, even though it has not been raised for several years.

A producers' proposal for a 10 cents rise received short shrift. At the same time the consumers pushed through measures aimed at bringing prices down by making more supplies available to the world market.

The basic global quota was a rise from 56.2m to 59m bags (of 60 kilos each), with an additional 2m bags for release in the first quarter—October to December—if prices remain above 135 cents a lb.

In addition 700,000 bags of Robusta coffee quota has been brought forward to the first quarter to try and relieve the present scarcity of this particular variety.

The intention is to try and bring world coffee prices back to 130 cents—the middle of the range—from the level of over 140 cents a pound prevalent for most of the 1983-84 season.

As the world's biggest coffee exporter, Brazil benefited considerably from the strong market, but its sales efforts were hampered by the poor quality of the rain damaged crop harvested in 1983. It has to draw on stocks of better quality coffee to satisfy its customers.

## Better quality

This year's crop is reported to be of somewhat better quality but is disappointing in volume at around only 22m bags after poor flowering. A further draw-down in stocks is inevitable, but Brazil will have no problem in meeting its export quotas.

There was an unexpectedly late frost in the Sao Paulo coffee growing areas during August, but the loss in output is estimated to be small and given reasonable weather conditions from now on it is hoped next year's crop will be close to 30m bags or more.

While coffee prices were kept firm by the International Coffee Agreement's quota system, cocoa values were boosted by a scarcity of supplies resulting from crop shortfalls in West Africa and Brazil itself — the world's two main producing areas.

It is estimated that world production at 1,520,000 tonnes fell short of consumption by some 160,000 tonnes. This is the second successive season of a production deficit, so prices rose sharply from the very depressed levels seen in recent years.

The higher prices more than offset the drop in Brazilian output and revived plans for expansion that could make Brazil the biggest single producer of cocoa in the next few years. Early estimates suggest there could be a considerable recovery in world production this season (1984-85) although some forecasts suggest it may still not be sufficient to meet expected consumption.

Nevertheless, nervousness about the prospect of bumper crops has made the cocoa futures markets extremely volatile, with speculators uncertain whether the present high levels can be sustained once the existing shortage of supplies eases. Even if there is another shortfall, lurking in the background is the 100,000 tonnes of surplus cocoa still held by the buffer stock of the International Cocoa Agreement that was acquired in a vain effort to stop prices falling previously.

Under the terms of the Agreement this cocoa cannot be released until the market rises to a much higher level, but it could provide an effective ceiling. Efforts to negotiate a new, more effective, International Cocoa Agreement are continuing but meanwhile the existing pact has been extended until September 1985.

Attempts to negotiate a more effective International Sugar Agreement ended in failure in June, with the leading exporting countries (including Brazil) being unable to resolve their differences. A new pact, with no provisions for controlling prices or supplies, replaces the existing Agreement at the end of this year meaning that the world market is back to a free for all situation.

In fact prices have already fallen so low that the situation could hardly become worse. World free market prices at below 5 cents per pound compare with a break-even cost of 13 cents by even the most efficient producers, such as Brazil. Prospects for a major recovery in prices seem very poor.

There is a huge overhang of surplus stocks and consumption is threatened by the development of rival sweeteners, especially in the industrialised countries where sugar prices are held at artificially high levels to support domestic producers. The main potential for expanding sugar consumption in the developing world is unlikely to be realised, with most third world countries unable to afford to step up imports.

## Battle of attrition

It seems, therefore, there will be a battle of attrition among producers with the weakest going to the wall, although many of them are protected by the special trade arrangements between the U.S., and EEC with supplying countries, as well as the deal between Cuba and the Soviet Union.

Brazil, the world's biggest sugar producer and its developing sugar-alcohol programme, is in a strong position to survive and prosper once prices rise again. However it could be a very long wait before the sugar market is restored to health.

The big shortfall in the U.S. soyabean crop last year, after drought conditions, gave a temporary boost to Brazilian exports of soyabean meal and oil prices, although the market failed to sustain the very optimistic views of much higher levels being achieved.

Moves by Brazil to restrict exports in the hope of triggering even higher prices were resisted by consumers and the market has now come down again sharply in expectation of a recovery in U.S. output this year, as well as increased production by other producers, including Brazil and Argentina.

Moves to cut milk production in the European Community have already cut demand for animal feeds, and protein, and world edible oil prices have fallen sharply from the peak levels reached last year.



# Wealth in the jungle

**Mining and minerals**

FIONA THOMPSON

BRAZIL IS sitting on a goldmine, a vast reserve of mineral wealth of which gold, in fact, is only a part. The immense challenge the country confronts is the task of unlocking that rich potential.

The sheer scale of the physical problems involved, the magnitude of the reserves that wait to be exploited—and the apparent readiness of the Brazilian Government to accept both—is illustrated by the Carajas iron ore project.

The reserves at Carajas are estimated at 18bn tons; it is the largest concentration of high grade iron ore discovered to date in the world. The snag is that it lies in the Amazon region.

To make the inaccessible accessible, an entire transport infrastructure has had to be created in that northern, virgin territory. It is some token of Brazil's determination that the project now looks like coming on stream six months earlier than scheduled, in January 1986.

The combination of major mineral reserves, and major problems to be overcome, is familiar to mining engineers in Brazil.

Mr Tom Cheney, head of BP Minerals in Brazil, said: "I have never seen so many opportunities in my 33 years in the business—but it isn't easy to get at. It's all in the jungle."

At Anglo-American, the leading gold mining company in Brazil, another expert said: "Brazil's base metal potential is huge, but unlocking it is extremely expensive."

Mineral production already has a key place in the Brazilian economy. Last year minerals, principally iron ore, ranked second on the list of top currency earners bringing in $1.84bn, only exceeded by coffee.

From the foreign investor's point of view, the Government's mining code does not contain any restrictions relating to the place of origin of investment money. It welcomes joint ventures but, as Sr Yvan Barretto de Carvalho, director general at the Ministry of Mines and Energy, says: "They are not obligatory."

Mr Cheney puts it somewhat more bluntly: "The prospects for multinationals are good. Brazil needs the money."

Iron ore tops the list of most important minerals. Exports last year totalled 72m tons. It is some indication of the value of the Carajas venture that, when fully on stream, it will produce 35m tons a year. At that rate, with its 18bn tons reserves, output could continue for 511 years.

Brazil is the world's second largest iron ore exporter, after Australia. The state mining company, Companhia Vale do Rio Doce (CVRD), is the country's leading producer and exporter. Last year it earned foreign exchange revenues of US$1.4bn; this year total global sales are expected to amount to US$3bn.

CVRD's total sales last year amounted to 53m tons of iron ore, of which 38m tons were exported. The state giant stands as the largest single iron ore company in the world.

Its clients are Japan (48 per cent); Europe, where West Germany is the most important customer (46 per cent); the U.S. (5 per cent); the Near East (1 per cent).

The mining of bauxite is second in importance although Brazil's markets are depressed by the world glut, a problem shared by the other major producers. Brazil ranks as the eighth largest producer in the world.

Significantly, CVRD has made no attempt yet to exploit the known bauxite reserves at Carajas, one of the three major deposits in the country.

Major deposits are being exploited in the state of Minas Gerais, where three big companies have alumina smelters: Alcan of Canada, Alcoa of the U.S., and Votarantim, the largest and most important privately-owned mining company in Brazil.

## Third area

The third area is Trombetas, on the north bank of the Amazon, where there are known reserves of 734m tons of bauxite. The main company at work there is MRN, a consortium of CVRD, Alcan, Votarantim, Reynolds of the U.S., Norsk of Sweden, and Billiton, a Shell subsidiary.

This is just the tip of the iceberg in terms of bauxite reserves in the Amazon region. The difficult territory contains sufficient quantities as yet untapped, to make the present world excess seem a relatively small problem.

Known reserves in the Amazon region total 4.5bn tons, of which 2.2bn tons are claimed by CVRD. In addition, these deposits consist of the relatively cheaply processed gibbsite, as opposed to the more commonly found boehmite.

Gold, the first mineral to be found and exploited in Brazil, remains an important contributor to the country's export earnings.

Reserves are estimated at 341 tons, the largest in the states of Minas Gerais, Goias and Bahia. Recently discoveries have been made in the states of Para, Rondonia and Santa Catarina.

The first of the great gold rushes was precipitated by a major strike in 1695 in Minas Gerais, whose name "General Mines" reflects its importance to the early settlers. The area was long at the heart of Brazil's mining industry.

Throughout the 18th century Brazil accounted for 80 per cent of world gold production and, incidentally, provided much comfort to the country's absolute rulers, the Portuguese Royal Court. Until 1697 the kings of Portugal were obliged to convene parliament to obtain money to run the country. After the discovery of gold in Minas, they did as they pleased. Parliament was not called into session for well over a century—the "royal fifth" from the mines in Brazil provided the monarchs with more than ample funds.

The decline of the gold mines began with the abolition of slavery in 1888. By the 1930s, just as interest began to grow in the new commercial development of iron in Brazil, only one gold mining company survived.

The revival of gold as a major earner occurred in the late 1970s when, in what amounts to a second gold rush, significant finds were made in the area of Serra Pelada in the state of Para.

This time the industry was to rely on the individual efforts of the "garimpeiros," freelance gold prospectors often forced out of the cities by unemployment to try their luck in the gold fields. Last year they accounted for 85 per cent of Brazil's 53 tons of gold output. The country has at least 250,000 of these freelances.

By the end of this year output is expected to amount to 70 tons, which would make Brazil the world's third largest producer after South African and the USSR and just ahead of Canada.

Sr Barretto de Carvalho said: "Brazil should produce over 80 tons of gold by 1990. The ministry's policy is to increase mechanised gold mining and reduce the role of the garimpeiros."

One thing is certain: the future of the mining industry in Brazil lies in the Amazon. Already there is a shift of emphasis to the north, away from the traditional "General Mines" area in the south-east.

The Carajas project illustrates the sort of mineral weath that exists, as yet largely untapped, in this region. The known minerals which have already been the subject of activity are iron ore, gold and manganese. The known deposits still to be exploited are of tin, nickel, copper and bauxite.

Particular attention is focused on the manganese mine, at Serra do Navio, in Amapa, owned by the Brazilian CAEMI group in association with Bethlehem Steel, is rapidly nearing exhaustion. As a result the Azul reserve in Carajas is regarded as specially significant.

The quality of some of the unexploited metals is questioned by experts in the field. BP's Tom Cheney, for example, said that the deposits of copper found at Carajas were "not of the best quality," especially when compared with Colombian copper. In his opinion it would not compete on the world market without subsidies.

## Impressive

The scale of Brazil's investment in the Carajas venture is impressive—and it has needed to be, considering the natural obstacles which have had to be overcome. In order to link the field with the outside world they have had to build a 890-kilometre railway line across the south-east of the Amazon region; construct an all-weather port capable of handling ships of up to 280,000 dwt on the South Atlantic coast at Sao Luis; build 60 bridges and viaducts; prepare eight town sites; open up a river port able to take vessels of up to 60,000 dwt; construct a hydroelectric power plant, and lay out a major airport.

The total investment in developing Carajas is expected to amount to U.S.$3.6bn. This includes loan interest and working capital during construction.

Sr Francis Yamada, CVRD's deputy superintendent of the Carajas project, said that Carajas would begin to show profit when iron ore production is at 20m tonnes a year. The project had been due to come on stream on a commercial basis in July 1986, with initial annual shipments of 15m tonnes. By mid-1987 the target would be 25m tonnes and by mid-1988 the project should be fully on stream at its maximum capacity of 35m tonnes a year.

However, Sr Yamada last month said: "The schedules have been revised and the first phase will be brought forward to January 1986."

CVRD says long-term presale contracts up to 1999 have already been signed with international clients for a total of 359m tonnes of Carajas iron ore, which at an estimated price of $20 per tonne would generate foreign exchange of $7.2bn.

Carajas could be Brazil's new gold mine, and this time they can keep even the royal fifth.

# Faith and exports save the day

## Vehicle industry

ANDREW WHITLEY

THE GROGGY Brazilian vehicle industry, still reeling from an unprecedented collapse in demand of 40 per cent in 1981, is getting back on its feet, thanks to a sharp export drive. Today, exports represent approximately 20 per cent of all vehicles produced by this multinational-dominated sector, compared with almost nothing five years ago.

Switching of sourcing by parent companies to their Brazilian subsidiaries has provided a major boost. But the ground for higher exports was laid by the cost advantages gained over the past 18 months, as the cruzeiro was devalued against the U.S. dollar.

Despite these unexpected gains, the domestic recession of the past three years has set the industry back 10 years in terms of output. It has also cost the companies hundreds of millions of dollars in balance sheet losses.

In 1979, when domestic sales reachd their all-time peak of just over 1m, Brazil was ranked ninth in the world manufacturing league. It was level pegging with Spain and Canada and on a rising curve.

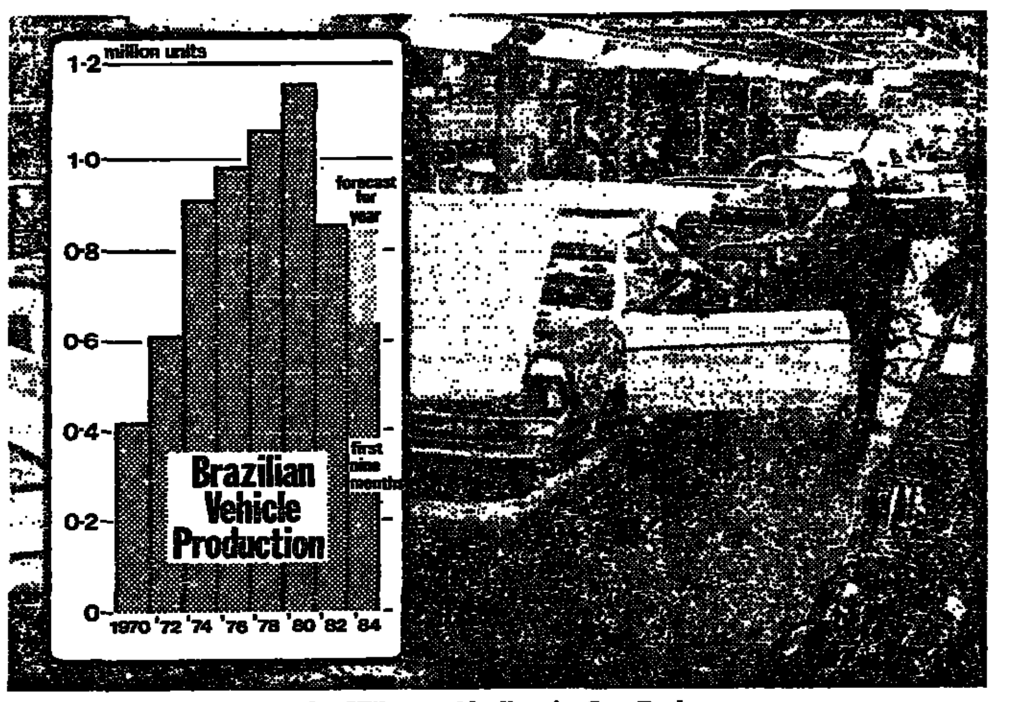
Two years later came the great collapse. At a time when the "big four" carmakers were investing heavily in new models and production facilities, sales plummeted by 40 per cent.

### Resilience

Where many an industry in a developing country would have folded under the impact of such a blow, it is a tribute to the resilience of the Brazilian vehicle manufacturers that they have picked themselves up off the floor and climbed back into the ring.

Domestic sales of cars and pick-ups in fact remain depressed. The industry's forecast for this year is for a slight decline on last year's 629,000. Booming exports have saved the day, avoiding heavier lay-offs and restoring some respectability to balance sheets.

The fact that the industry has been able to sustain three successive years in the red is also a clear comment on the faith of the manufacturers in the long-term potential of the Brazilian market. Belief in Brazil's suitability as a manufacturing base for exports as well is, if anything, even stronger than before the country's debt crisis.




The VW assembly line in Sao Paulo

Total vehicle exports rose by 19 per cent between January and September, compared with the same period last year, earning the industry just under U.S.$1.2bn. Vehicle components, notably engines, probably added another third to this figure.

Measuring output in per capita terms illustrates dramatically how much room there is for growth in the Brazilian domestic market, provided purchasing power can be increased. In 1981—the last year for which comparative statistics are available—output per capita was 0.6 per cent in Brazil, 2.6 per cent in Spain, and 6.4 per cent in France.

On this method of calculation, even Yugoslavia produces twice as many vehicles as Brazil does.

Final manufacturing has in recent years settled into a pattern which is unlikely to be significantly altered in the foreseeable future. Two European companies (Volkswagen and Fiat) compete head on in all segments of the passenger car market with two U.S. companies (Ford and General Motors).

In the truck business, Mercedes-Benz has an overwhelming dominance, with Volvo and Saab-Scania competing in certain segments along with the other car manufacturers.

Truck sales, although still a long way below their 1980 peak of 157,000 units are, in contrast, enjoying a much stronger than expected recovery. Light truck sales should set an all-time record this year and enthusiastic sales directors expect the boom to continue in 1985.

To cope with the growth in demand, likely in 1985 to match this year's 20 per cent increase, the multinational "seven sisters" are competing to launch new models or improve existing vehicles.

Ford will launch next year its new world truck — a Brazilian / U.S. / European designed family in the 11 to 22 tonne range — from its Brazilian base.

Approximately U.S.$100m has been spent by Ford do Brasil on expanding and re-equipping one of its truck assembly plants in Sao Paulo's industrial zone, to bring the new truck, dubbed the "Cargo" on line and increase plant output to 80,000 units a year.

General Motors is following suit with a major face-lift programme for its models costing U.S.$150m, while Fiat diesel, which operates in the light and very heavy sectors of the business, is planning additional investments of between U.S.$20m and U.S.$30m in a bid to boost its flagging sales.

Somewhat surprisingly, given their presence elsewhere in the continent, the Japanese have been virtually excluded from the Brazilian industry. Their participation is limited to the manufacture of light pick-ups and motorcycles.

Demand for motorcycles is relatively low compared with other similar countries, possibly because of their high cost in terms of average earnings.

However, the existence of a settled cartel of car manufacturers operating behind high protectionist barriers to imports should not suggest that the fortunate four face an easy life. On the contrary, competition for market share is fierce. Annual face-lifts for existing models and the regular launch of new vehicles are regarded as absolutely essential.

On the strength of its Beetle (still going strong) and Passat models, Volkswagen has long been the market leader. Traditionally it has held a 45 per cent share, but despite the successful introduction in recent years of two other mid-range cars of local design, the German company has recently been slipping back.

### Suspicions

However, although he would be the last to admit it, there are strong suspicions that Wolfgang Sauer, the Brazilian-naturalised head of VW do Brasil, may be more interested in his flourishing export business.

Volkswagen's Brazilian subsidiary has won major contracts in Iraq and Nigeria, and is now designing a new model for an all-out launch on the West European market. Herr Sauer even muses publicly about tackling the U.S. from his Brazilian base.

Ford is concentrating its efforts on sales of the Brazilian-made Escort to the peripheral markets of Western Europe, while GM is pushing into its traditional markets elsewhere in Latin America.

After the hectic pace of the late 1970s investment is now slowing down to what Sr Andre Beer, president of Anfavea, the vehicle manufacturers association, describes as an "adequate" level. In the case of GM, of which he is a vice-president, this is about U.S.$100m a year.

All the big four have, over the past year, launched locally-made versions of their "world car," with a significant level of imported components. This is made possible through the provisions of the Befiex (car B) scheme, whereby local manufacturers are permitted to import a certain value of parts and are granted healthy fiscal incentives in return for committing themselves to a fixed level of exports, usually over a ten-year period.

In an industry notable for its usually harmonious relations with the Government, the biggest grouse of the manufacturers has been the imposition of price controls. These were slapped on in February 1983 and led to a sharp increase in losses before their removal—for cars —last June. Since then the manufacturers have pressed hard to restore their eroded profit margins.

The battle is a tough one at a time when high non-operating costs, principally financial costs, show no sign of coming down.

In one area where a modest investment has paid off handsomely for all the vehicle companies has been in Brazil's alcohol-fuel programme. Backed by Government subsidies to the alcohol producers and a filling station retail price pegged to less than two-thirds the going rate for petrol, the programme has turned out to be an outstanding success.

Whereas in its first few years Brazilian cars had modified petrol engines, today purpose-built alcohol engines are the norm.

### Leading vehicle manufacturers

Domestic sales, first nine months 1984, with market share compared with same period 1983

| | | 1984 | | 1983 | |
|---|---|---|---|---|---|
| 1 | Volkswagen | 189,219 | (38%) | 211,383 | (40%) |
| 2 | General Motors | 126,631 | (25%) | 142,672 | (26%) |
| 3 | Ford | 110,542 | (22%) | 112,141 | (20%) |
| 4 | Fiat* | 46,367 | ( 9%) | 54,704 | (10%) |
| 5 | Mercedes Benz† | 17,571 | (3.5%) | 17,123 | ( 3%) |

* Includes Fiat Diesel, separately incorporated truckmaking subsidiary

† Only manufactures trucks and buses

Source: Anfavea, National Vehicle Manufacturers Association Bank, August 1984)

André Beer, president of Anfavea, the National Vehicle Manufacturers Association and vice-president of General Motors: investment at "adequate" level

GLEIDE SELMA

Senator Roberto Campos, a former planning minister, is the leading opponent to restrictive legislation to block foreign imports of mini and microcomputers

# Industry divided over import restrictions

## Data processing

FIONA THOMPSON

LAST MONTH'S protectionist measures, approved by the Brazilian Congress to defend its nascent computer industry, promise a boom for the home producers—and for the pirates.

But there are grave doubts in some quarters that the country has raised barriers not only to outside competition but also to the flow of international technological advance and much-needed foreign capital. It could lead to wider problems for Brazilian industry at a time when it can ill-afford to see its competitiveness reduced.

The Informatica Market Reserve Bill prohibits for at least eight years the import, except with government licence, of any mini or micro computer produced abroad.

Multinationals already manufacturing mainframe computers in Brazil, such as IBM and Hewlett-Packard, are not affected

The legislation, ensuring that the domestic market will be supplied solely by Brazilian computer manufacturers, gives formal authority to the import ban which, in practice, has prevailed for some time.

This has proved no barrier at all to the activities of those Brazilian companies which, cheerfully and with little regard for international patents, have prospered from their piracy of overseas manufacturers' computers and software.

Col. Edison Dytz of the state data-processing regulatory authority: in favour of import restrictions

### Frank admission

It is estimated that there are 20 companies copying the Apple II in volume and another three helping themselves to the products of IBM research, by making their own unlicensed version of the IBM personal computer.

They are frank and open about their activities. Mr Geoffrey Locke, American-born and now a naturalised Brazilian, runs Tiger Electronics, part of a Sao Paulo-based group which sells and gives service for a full line of micro-electronic computer products.

He makes copies of the IBM PC and the Apple II and sells them to corporate customers. His company also gives instruction in their use.

His copying business is made possible by the attitude of the Secretaria Especial de Informatica (SEI), the state agency controlling the data processing industry.

He said: "IBM and Apple applied to SEI to register their copyright and patents but SEI would not give the necessary clearance. Apple came to Brazil but went home empty-handed."

The policy of protective nursing of domestic companies has helped to build up an industry with sales approaching $1bn this year. There are now 150 companies in the data-processing field, compared with just two seven years ago.

There are conflicting views about the calibre of the products born out of original Brazilian research and development.

One company in Sao Paulo, the centre of the youthful computer industry, stands on its own record. Itautec, which has the backing of the major Banco Itau, was founded in 1979 and spent four years building its technology and its team. Last year it sold just 270 micro-computers; this year it expects to sell 6,000.

### Sales force

Its total revenue in 1983 was U.S.$5m; the expected revenue this year is U.S.$50m. The workforce has grown from 400 to 1,900 with an average age of 25.

The company has increased its sales force from five at the end of last year to 50. Total investment since its inception is U.S.$75m and the company hopes to be in profit next year.

The expected market for micro-computers in Brazil this year is 60,000.

"I believe Itautec can be internationally competitive," said Sr Ronaldo de Campos Mello, head of marketing. He envisages export markets in the Third World.

Brazil's ability to compete behind closed doors, now that the trade barrier has been imposed, is by no means universally accepted. There are doubts about its manufacturers' capacity to keep abreast of costly research advancing at breakneck pace throughout the wider world.

The leading opponent of the Market Reserve measure is Senator Roberto Campos, a former planning minister and until recently Brazil's ambassador in London. He acted for the group which campaigned against the legislation and introduced his own Bill aimed at preventing government interference in the industry.

"If Brazilians shut themselves behind closed doors they will have to re-invent the wheel," Senator Campos said.

In his view, Brazil's industry is "bitterly divided" over the issue.

"The computer manufacturers obviously favour the legislation. But the major concern of manufacturers producing machine tools, for example, is to have access to the cheapest, best and most-available computers," he said.

### Challenge

He intends to challenge the Bill on judicial grounds; he says it is anti-constitutional because it prevents freedom of association.

"The approach in my Bill was positive rather than negative discrimination. Every company would be free to decide on where it got its own capital. However, to those companies with 51 per cent of voting stock in the hands of Brazilians, certain fiscal incentives would be given.

"I thought my project was very nationalistic."

According to Senator Camops the new legislation passed by Congress is disastrous for four reasons.

- Firstly, it would result in a "technological lag, a technological retardation in the industry."
- Secondly, it would lead to a loss of efficiency and competitiveness. "Joint ventures bring in capital, updated technology and exports."
- Thirdly, the Bill was an economic contradiction. "By refusing foreign capital which would help in paying our debt, we reduce our possibility of getting foreign exchange," he said.
- Fourthly, the legislation would result in fewer exports at a time when Brazil desperately needed them.

It has to be said that the measure gained overwhelming support in Congress, which believes the Market Reserve is the only way to develop an independent successful industry free from the domination of foreign companies.

In Senator Campos's view the support for the protectionist legislation was so overwhelming because of Brazilian national pride and the country's anger at its dependence on foreigners.

"When our country feels it has suffered external humiliation, for instance bankers at the door, the IMF imposing austerity measures, the result is an outburst of nationalism—an outburst against those imposing the humiliation."

Not surprisingly, ABICOMP, the Brazilian association of computer manufacturers, totally supports the legislation.

### Opposition

Sr Ricardo Saur, ABICOMP's executive director, said: "We are against joint ventures because a Brazilian company working with a huge international company will never develop its own technological expertise, resulting in a permanent dependence on the partner's products.

"Local companies up to now have been less eager to develop a technology of their own as copying is so much easier. The Brazilian industry will now have to concentrate resources on research and development."

Colonel Edison Dytz, of the SEI government agency, agrees: "The fact that you import foreign products does not mean that you learn the technical expertise yourselves."

# Market awareness yields rich rewards

## Trading houses

BRIAN GOULD

SPURRED on by the 1973 oil price shock, Brazil woke up belatedly to the need to promote its exports. Certain traditional commodities, especially coffee, had always been handled by trading houses. But there was a glaring need to allow such institutions a freer rein.

Special legislation was thus adopted to allow the formation of import-export (in practice, mainly export) companies handling a wide variety of goods.

Over the past decade these have gone from strength to strength, so much so that today they are probably responsible for well over a quarter of Brazil's annual exports.

A big step was taken in 1976 when it was decided that Petrobras, the federally-owned oil corporation, which has an official monopoly on oil imports and is thus the country's largest single spender of convertible currency, should try and recoup some of the outgoing dollars through its own exports, particularly to Brazil's oil suppliers.

Interbras, the new company formed, is by now by far the largest of all the trading houses. Exports last year amounted to U.S.$807m, up from U.S.$29m in 1981. This year sales dropped slightly in the first quarter, but are likely to pick up again.

The Petrobras subsidiary has been particularly active in the restoration of trade with Iran after the revolution, acting as an invaluable conduit through which the Iranian authorities could place their orders. In 1983 it handled over a third of all Brazilian exports to Iran, worth U.S.$118m.

However, it has to tread a delicate path as it is also a leading supplier to neighbouring Iraq, usually Brazil's leading oil supplier, with which Iran has been at war for the past four years.

Interbras is now Brazil's second or third, depending on the year, exporting company of any kind, exceeded only by Petrobras itself and, occasionally, by Companhia Vale do Rio Doce, the iron ore giant.

### Invaluable

The existence of the trading companies was invaluable for the Brazilian authorities when an informal decision was taken in 1983 to promote greater counter or semi-barter trade with major oil suppliers. Without their participation arranging balancing totals would, in practice, have been exceptionally difficult.

The Instituto do Acucar e Alcool, the state agency responsible for the sugar and alcohol fuel industry, is also a key player in this business through its near monopoly on sugar exports.

However, business has lately been bad because of the exceptionally low world prices for sugar, except when bilateral deals can be arranged, such as has been the case with Venezuela (in return for crude oil) and with the Soviet Union.

At present, approximately 150 trading companies have applied for registration with Cacex, the powerful foreign trade department, and several newcomers are added to the list every month.

While over two thirds of them are doing business in excess of U.S.$2m a year, according to the latest statistics nine of them were totally dormant in the first half of this year.

Between January and July, the registered trading houses invoiced U.S.$4.29bn, 26 per cent of all export sales, and the trend is in their direction as Brazil's export trade becomes increasingly dominated by a dwindling number of companies.

About 250 companies are in fact responsible for over three-quarters of all exports, likely to top U.S.$27bn this year.

Many of the biggest of them, such as Inter-Continental de Cafe, are former commodity houses which have diversified. Inter-Continental alone invoices over U.S.$250m a year.

More shrouded in secrecy is the activity of the trading arm of the Bunge y Born empire, the Sao Paulo-based holding company which began life as an Argentine grain trading company and moved to Brazil in the mid-1970s.

Another benefit of the trading companies has been the way in which they help filter their market awareness down to other Brazilian manufacturers focusing on the domestic sector. Many have prospered handsomely as a result.

# Lip service no longer enough

## Social Conflict

ROBERT GRAHAM

Peasant family in Ceara state, north-east Brazil

AGIL

EARLIER LAST month the Brazilian bishops called a day of fasting and prayer to arouse the nation's conscience towards poverty and social injustice. The gesture was unprecedented although the Catholic Church itself has been the one institution to show concern consistently in the area.

Its impact was mainly symbolic—signalling the growing frustration over a collective failure by the country's leaders to take Brazil's social problems seriously.

Successive administrations have done little more than pay lip service to tackling the inequalities in income distribution, the lack of housing, migration to the cities, the low level of literacy and rural poverty. But these problems have become so intrusive that they can only now be ignored at the risk of polarising society.

Because there is no voice articulating these problems, save the Church, it is hard to gauge the extent of unseen pressures in society. Significantly both presidential candidates are making noises about directing the Government's energies towards these problems. Yet even they seem to have no feel for the kind of pent up frustrations which could be let loose if inflation continues at its present level and recovery fails to take hold.

The greatest restraint comes from the very size of the country with its strong regionalisation and the lack of any organised form which can mould discontent into sustained protest.

### Priorities

Development priorities of the past two decades have been based on laying the foundations of a modern industrial economy by maximising Brazil's resource potential by encouraging liberal investment and through a policy of heavy borrowing. By stimulating growth the aim was to create jobs and new resources which, in turn, would raise incomes and eventually permit the Government to devote more funds to welfare and social needs.

The debt crisis has cut short this objective, and it has left the country with a lopsided pattern of development. The concentration of industry has increased in the most advanced states like Sao Paolo and Rio de Janeiro, and the new frontier has been expanded with agriculture and mining in Rondonia.

In the states to the north east, which still hold 30 per cent of Brazil's 130m population, no more than 5 per cent of the nation's industrial production has been installed; and it remains chronically poor, subject to the vagaries of drought.

The previous order of development priorities is aptly encapsuled in Brasilia. Conceived by President Kubitschek in the late Fifties as the bold creation of a new federal capital in the interior, the construction of this model town planner's city is a remarkable achievement.

Yet there is a profound contrast between the perfectly conceived residential areas of Brasilia designed for upwardly mobile middle classes with their "superquadros" (each block complex has its own school, shops, restaurants and other utilities within easy access) and the temporary workers' satellite towns on the outside.

The main one, Cidade Livre, was meant to be demolished once Brasilia was built. It has been kept on with a population now over 100,000 because no real provision was made for low income housing and there are no funds for a model city for these people.

Among Brazil's middle income groups the recession and austerity imposed by the International Monetary Fund, has chiefly meant a loss in real earnings. For lower income groups the labour market has contracted sharply causing serious unemployment, while, for those at the bottom of the scale, the hopes of entering the labour market have receded.

Theoretically, 1.5m persons enter the labour market each year and growth needs to be above 4 per cent to hope to absorb them.

There have been three years of negative growth and only the beginnings of a recovery this year. It is hard to measure the numbers of unemployed but against this background the 1980 census showed Brazil to have 17m registered wage earners out of an active population of 50m.

Officially unemployment is now at 8 per cent of the active population but most economists regard these figures as meaningless because they apply to persons who have been even casually employed the previous week of the census and exclude those who have been out of work for more than six months. They also only cover six states.

The real number of fully employed today is anyone's guess but could be no more than 60 per cent of the active population (which incidentally is still considered to be those over the age of 15).

The number of jobs in construction, the chief source of unskilled employment is reckoned to have fallen by nearly a quarter since 1980. In Sao Paolo state, which generates 60 per cent of Brazil's industrial production, between 450,000 and 650,000 industrial jobs have been lost during this period.

### Job protection

Reflecting this job loss, unions have switched the emphasis of their demands towards job protection. The unions themselves are weak and divided and are strongest in those sectors like the motor industry which are the most modern, and have shown no real concern for articulating the demands of the lowest paid.

The minimum wage in Brazil is the equivalent of $65 per month. This has been consciously raised by the Government and wage agreements have made an effort to compensate the lowest paid. But inflation still at over 200 per cent is wiping out the gains.

The Federal Government has tried to streamline the social security system which reportedly extends to almost 70 per cent of the population with minimal benefits. But the system is not really equipped to cope with the problems of urban unemployment because no one envisaged such an economic slowdown.

The hope of mobility and social improvements—the great traditional safety valve of Brazil—has dimmed. The sole positive effect of recession has been an apparent slowdown in the level of migration to the big cities though this is guessed rather than satisfically proven by demographers.

In the last census of 1980 4.3m people were found to have migrated to Sao Paolo state during the previous decade, another 2m went to Rio de Janeiro. Most of these came from the backward rural states of the North East which showed a net loss of nearly 5m persons.

The effect of this migration can be seen in the ramshackle shanty towns in Rio de Janeiro and Sao Paolo. According to church estimates some 2m people are living in these "favellas" in Rio de Janeiro where 350 such temporary communities of cardboard boxes and corrugated roofing have sprouted. One alone contains at least 150,000 people. Another 500,000, on conservative estimates, are living in favellas in Sao Paolo.

Other traditionally well to do cities in southern Brazil such as Porto Alegre have similarly witnessed the rise in recent years of a ring of disfiguring favellas around their perimeter.

During the boom the favellas were the source of cheap labour for all manner of urban services. Their inhabitants regarded them as temporary abodes pending the better life. But they have become institutionalised to the extent that attempts to move and resettle 20 such communities in Rio de Janeiro have been successfully resisted.

The inhabitants cannot afford the extra transport costs of being moved outside the city and the search for opportunities. These people once attracted to the cities are unlikely to return to the countryside, especially where they have come from if it is the North East.

The North East still contains 45 per cent of Brazil's growing population, and here agricultural employment is increasingly affected by labour intensive investment. Until the rain came in March the area had suffered drought lasting in some places almost six years. This had forced 2.8m people to rely on meagre government handouts to work in public works projects.

Such is the level of underdevelopment in the North East that half the 38m population is considered functionally illiterate. Grandiose schemes of diverting the Sao Francisco River to water vast tracts to land have so far come to nothing, and the politicians are accused of wanting to keep this area backward as a source of pliant support.

The more adventurous, officially encouraged to colonise the land in Brazil's vast interior—especially the fertile uplands of Mato Grosso state—are being put off by increasing violence over title to land. This year in Mato Gross state 46 peasants have been killed so far in land conflicts in the so-called "wild west" of Brazil.

All this is the reverse side of the coin to Brazil's remarkable achievement in developing a modern diversified economy. Perhaps 70m people could be classified as marginalised in Brazil while a privileged one per cent possesses more wealth than half the entire population.

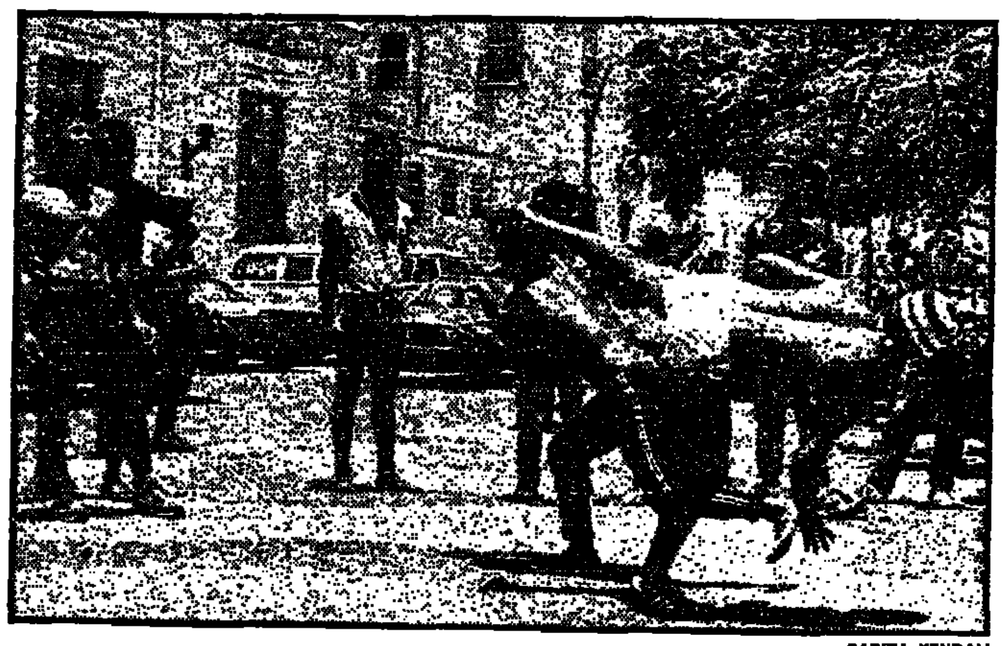
### Limited protests

The signs of protest are surprisingly limited — the occasional looting of food stores in poor areas, mostly the North East; or increased petty crime in the big cities. It is the Church rather than any political party which has been most active in campaigning for the underprivileged.

Military rule since 1964 effectively repressed popular organisations, and the political parties during the recent period of "Abertura" have been too concerned with a scramble for power. A powerful element within the Catholic Church hierarchy is now committed in a role of liberator of the poor. Encouragement is being given to forming neighbourhood organisations so that people are more conscious of their rights.

It is a revolutionary message being preached by some within the Church whose consequences few have digested. Most prefer to believe that Brazil still can absorb social pressures and avoid real tensions. Certainly if the recovery does gather pace then unemployment could disappear quite quickly.

If Brazil returns to a historic growth rate in industry of 10 per cent all the jobs lost during the recession could be regenerated within five years, according to both economists of the left and within the Government.



SARITA KENDALL

Capoeira, an acrobatic fighting dance from Africa, in the main square of the old town of Bahia

# Carnival spirit promotes harmony

WHEN AN all-black carnival group took to Bahia's streets in 1975 singing "This is the negro world that we've come to show you," whites reacted with accusations of racism.

Blacks, however adopted the idea so enthusiastically that more than 50,000 now dance with the Afro-Brazilian carnival organisations in Bahia. Their songs are laced with Yoruba words, their costumes reflect African dress, and the carnival theme may be "Nigeria" or "African liberation."

In fact the origins of today's carnival are also divided. At the turn of the century, the whites held balls in exclusive clubs were violinists played genteel waltzes, while the blacks in the streets beat out samba rhythms on the drums.

Comments in the Press at that time expressed distaste for the rowdy, uncivilised "African" revellers. Yet the frenetic belly-to-belly samba that was once despised for its slave associations, has become the mainstay of carnival, and many other African traits are also deeply embedded in Brazilian culture.

The slaves shipped to Brazil for plantation labour came from regions as far apart as Mozambique and Guinea. Some north-eastern landowners had over a thousand imported Africans working their sugar cane estates on the coastal lowlands, but communities and families were torn apart by the trade, and the slaves usually represented many different tribes, the original culture inevitably disintegrated, and plantation society fostered miscegenation.

Although slavery in Brazil is supposed to have been less brutal than it was elsewhere, atrocities were a regular part of the system. Runaway slaves were hunted down, but some managed to set up fortified communities or "quilombos" with their own government and economy.

The most famous quilombos at Palmares, in the state of Alagoas, lasted over 100 years. The death of Zumbi, the Palmares resistance hero, is commemorated by Brazilian blacks on November 20 as a focus for demonstrations and Afro-Brazilian cultural festivities.

At least 3m Africans were brought to Brazil until as recently as the late 19th century. However, by the time slavery was abolished in 1888, many had already won their freedom.

Immigrants from Europe began to replace negro labour, gradually "whitening" the population. By 1980 the country's population was 55 per cent white, 6 per cent black and 38 per cent mulatto.

## African roots

SARITA KENDALL

Brazil's foreign policy now reflects the geographical and historical closeness of Africa. President Figueiredo's 1983 visit to five African countries—the first ever by a Brazilian head of state—underlined growing economic and political ties.

The black heritage is most visible in Bahia, on the north-east coast, where food, family life and music bear an unmistakable African stamp. The African Museum advertises courses in such languages as Yoruba and Ge-Ge.

Even Capoeira, an acrobatic fighting dance from Angola which has become little more than tourist entertainment, is these days taken seriously by young Bahianos. "Masters" teach the rhythmic, cartwheeling movements in which the feet are used for attack, and blows can be as effective as those in karate.

Bahia has also become a centre for modern black movements—not so much the highly politicised kind that flourish in the U.S., as groups concerned with theatre, music and religion.

Rastafarian locks and Bob Marley's reggae music are the rage, and the once exiled Bahiano singer Gilberto Gil probably enjoys higher status among Brazilian blacks than anyone else.

Antonio Carlos Dos Santos—betetr known as Vovo, founder of the first all-black carnival group—says black intellectuals are constantly meeting and having sterile discussions. "We have festivals and music and the kids join in, and everyone wants to come," he said.

The lack of militancy in the black movements is attributed by one Bahiano who lived in Harlem to the absence of hate in Brazil—though few deny there are many subtle forms of prejudice.

Black Brazilians are undoubtedly at the bottom of the pile: government figures belie the idea of racial democracy by showing that, of those privileged to earn more than US$310 a month, less than 2 per cent are blacks and 14 per cent are mulattos. At the other end of the spectrum, a black is twice as likely as a white to earn under US$62 per month, or to have one year of schooling or less.

Despite the fact that the extraordinary mixture of racial features and skin colours makes it hard to define "blackness" in Brazil, there are plenty of stereotypes: from the black Favella-dwelling pickpocket to the sexy mulatto used for selling Rio's attractions.

The huge following of Afro-Brazilian religions has helped to break down barriers, although even here the Candomble groups of Bahia have a much stronger African flavour than the southern Umbanda cults, "whitened" by a heavy European spiritist influence.

Brazil's racial climate may be relaxed, but it takes the sporting skills of Pele or the musical talents of Gilberto Gil to take it to the top.

# A state in transition

## Parana

ANDREW WHITLEY

PARANA, BRAZIL'S fifth ranking state in terms of economic output, is in a state in transition, reorientated by the national drive to promote large-scale commercial farming and exports.

Many of its strengths, and its current ills, are those of the country as a whole writ smaller. And, as at the national level, where the focus of development should lie has provoked intense debate.

Where it leads the way for much of the rest of Brazil is that since March 1983 Parana has had an opposition state government prepared to throw away the old development model and tackle the state's economic and social problems from a fresh point of view.

What adds to its chances of success is the state's capacity both to work hard and to adapt: a capacity stemming from its unusual racial mix, dominated by relatively recent immigrants from central Europe and, to a lesser extent, Japan.

Many of the immigrants arrived in the late 19th and early 20th centuries, spreading *themselves across* a fertile state of about 200,000 square kilometres—about the size of England and Scotland put together. With a population today of 8m (40 per cent of whom live in the countryside) it remains thinly populated.

Agriculture has always been its backbone. First it was mate herb tea, carried by mules down the steep escarpment running along the coast to the port of Paranagua. Later came cotton, coffee and cattle.

Now it is the turn of grain crops, principally soya and wheat, to dominate economic life and create overnight millionaires.

Until the disastrous frosts of 1975 Parana was best known as Brazil's leading coffee producer: nearly half the national output the previous year had come from within its borders. The frosts destroyed 200m coffee trees that year and the state never recovered its pre-eminence. Coffee has now largely moved further north, to the climatically milder states of Sao Paulo and Minas Gerais.

### Soya kings

Londrina, Parana's second city, in the north-west of the state, used to be known as the world capital of coffee. The barons would light their cigars in the city's most celebrated whorehouse with large denomination bank notes.

Today the new rich are the soya kings of the south-west region, travelling around in their private aeroplanes.

Coffee and soya are both export-orientated crops. But unlike coffee, which is labour intensive and suitable for small-scale production, soyabean farming lends itself best to a capital intensive approach, utilising economies of scale.

The result has been a transformation of farming patterns in the state over the past 15 years. It has also widened income distribution and created an army of landless day labourers.

... decade of the 1970s the number of farm owners in Parana declined by 100,000, a full 20 per cent of the total, and in the same period 1.4m people left the state.

The more enterprising made their way to the new frontier regions of Brazil north-west, but a considerable number swelled the rank of the *Favelados, or shanty town dwellers,* in Sao Paulo.

Soya is not the only villain of the piece. Sugar cane, vigorously promoted by the federal government as an answer to the country's energy problems, through the production of ethanol, is almost as guilty.

*During* the turbulent *1970s*, the acreage devoted to sugar cane increased eightfold, to 2.4m hectares, making it the largest crop in terms of land use. Boosted by higher productivity, soya output meanwhile increased by 15 times and wheat by six times.

Parana is thus today Brazil's leading grains producer. It also has the largest stock of pigs and one of the biggest head of cattle and chicken in the country. Not surprisingly, given the strong Polish and German influence, it is also Brazil's leading potato producer.

### Misery

But from a social point of view what has been as damaging as anything else is the way in which soya and sugar cane have replaced traditional staple food crops, such as beans and manioc, contributing directly to increased misery on the part of those pushed off their lands.

Another source of rural dislocation in recent years was the construction of major hydro-electric dams, with their attendant lakes, within the bounds of the state. Itaipu, the world's largest hydroelectric power dam, on the Parana river, where it forms the boundary between Brazil and Paraguay, was alone responsible for the uprooting of about 200,000 people.

To its credit the new state government of Sr Jose Richa *is very conscious of the social* disequilibrium introduced into what used to be a stable society.

The central thrust of economic policy is now towards improving the prospects and life-style of small and medium-sized rural producers. As Sr Claus Germer, the state agriculture secretary, says: "This insane stimulation of exports" has *made farmers* concentrate on maximising output, "without taking into account people, deforestation and care of the soil."

The previous policy of promoting industry and basic infrastructure has been dropped in favour of rural electrification and the development of regional agricultural roles.

This is not particularly good news for those multinationals who established themselves over the past 20 years in the industrial estate outside Curitiba, the state capital. Volvo, Philip Morris and Sony were among the big names attracted by the incentives of previous state governments.

But the attractively laid-out industrial park today has an air of neglect and decline. Fewer than a hundred of the 167 companies established there are currently operating. And Sony, for one, is transferring its more lucrative assembly lines to the Manaus free trade zone in the Amazon.

Apart from agriculture, the other key to making Parana work has always been the economics of transport.

Curitiba, which now has a population within its fast growing greater metropolitan area of 1.5m first prospered in the 18th century as a crossing point on the cattle trail from Rio *Grande do Sul in the far south* to Sao Paulo.

In the middle of the last century it was decided to build a railroad from Curitiba down to the coast. The result was a remarkable feat of engineering, 110 km of winding, precipitous single track through permanently mist-shrouded mountains down to Paranagua.

But the value these days of the railroad — celebrating its centenary next year — is much more as a tourist attraction than *as a route to get bulk cargoes* to foreign markets. Instead, Paranagua port is fed by much less cost effective truck transport.

*Paranagua* has always dreamed about a proper, modern railroad. As state officials repeatedly stress, the cost of producing soya products in *Parana is as cheap, or cheaper,* than in the U.S. but it costs as much to get the goods to Paranagua as it does to ship them from the port to Western Europe, the principle market.

Hence the logic of the "soya railroad," an ambitious, 1,500 kilometre project to link Assuncao, the Paraguayan capital, to Paranagua. But the highly expensive scheme never got off the drawing board and was probably killed by the financial crisis Brazil has *suffered since 1982.*

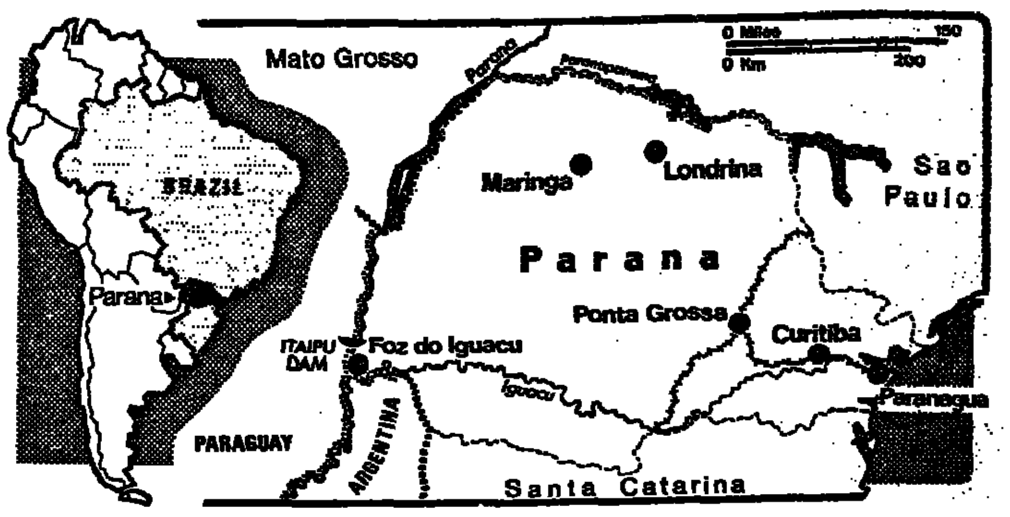
For Paranagua, a major grains port handling goods from all over southern Brazil, the shelving of the railroad has been a major blow. Nevertheless, the port has prospered with the current export drive. On a recent visit, 500 Volvo trucks waiting to be shipped to Iran were parked on the quayside.

One minor distinction of this eclectic state is that it is one of the few parts of the country *where the British left a permanent mark.*

Londrina was founded by a small group of British entrepreneurs, led by Lord Lovat, in 1934 and named after London. The original plan was to use the rich, red soils of the region to grow cotton. But coffee proved more profitable and more durable.

Today Londrina is recovering from the damage of the coffee frosts with the aid of a prosperous vegetable oil industry, in which Anderson Clayton the U.S. company is prominent.

The Paranaenses, as the state's inhabitants call themselves, are justifiably proud of their European-style, well-planned capital and of their cultured, agreeable lifestyle. Not for nothing is Curitiba used by many Brazilian companies as the city where they prefer to test market their newest products.






# New efforts to widen the range of holiday attractions

Gisele Selma

The main square in Londrina, Par ana, with two policewomen on duty

# Target area identified

BRAZIL was discovered by the Portuguese navigator Pedro Alvarez Cabral in 1500 by mistake—he was bound for the East Indies. Today the country is making a deliberate effort to be rediscovered, this time by tourists.

The Portuguese were to spend centuries as colonists. Today's visitors will simply be required to spend.

The welcoming mat is being laid down for Europeans, for fellow South Americans, and most enthusiastically for Brazil's neighbours to the north, the dollars-in-their-pockets Americans and Canadians.

Brazil, or more accurately Rio, has always been a haunt of the upper-income jet setter, flying in for Carnival and a quick samba. But the bulk of the country's tourist income has traditionally come from its next door neighbours in Argentina and Paraguay.

The onset of the Latin American debt crisis two years ago changed all that. The number of Argentine tourists fell sharply from a peak of 700,000 in 1980 to 223,000 in 1982, according to figures from Embratur, the government tourism authority. Since then, a conscious attempt has ben made to attract the middle-income, middle-class traveller from beyond Brazil's continental borders.

The main target areas are the North American and European markets, in particular the U.S., Germany, Italy, France, Spain, Scandinavia and the UK.

Embratur's first hurdle was the obvious one of distance and expense. Mass tourism was hardly a viable prospect when the average cost of a return flight from the U.S. was US$1,000, and from Europe US$1,500.

With the need to attract foreign currency, the Government became more receptive to the idea of tourism as an industry. The result has been an expansion of route allocations and a mini boom in charter and excursion fares.

Varig, the national carrier, increased the size of its fleet, expanded its network and now operates regular charter flights *from Canada, the U.S., West* Germany and Switzerland.

## Tourism

FIONA THOMPSON

"In the last two years Brazil has become as competitive as the traditional tourist destinations of Hawaii and the Caribbean for American tourists," says Dr Oswaldo Tavares, Embratur's international promotions manager.

Charters operate out of five U.S. cities, New York, Los Angeles, Boston, Houston and New Orleans, offering packages as low as $399 for one week's stay including flights and hotel.

The Government is open to approving further charters and, *according to Dr Tavares,* more than 3,000 passengers a week will travel to Brazil during this summer season *from* December to April next.

Embratur's *most noted* promotional effort has been the Brazil Air Pass. Valid on all Brazilian airlines, the pass can be bought anywhere in the world (except Brazil). Two kinds are available, a $250, four-city, 15-day version or one offering 21 days' unlimited mileage for $330.

The idea has been a success both for the tourist and for the country. Brazil is vast, totalling 8,512,000 square kilometres. Its *land mass occupies nearly half* of the total area of South America and is equivalent to all of the European countries combined.

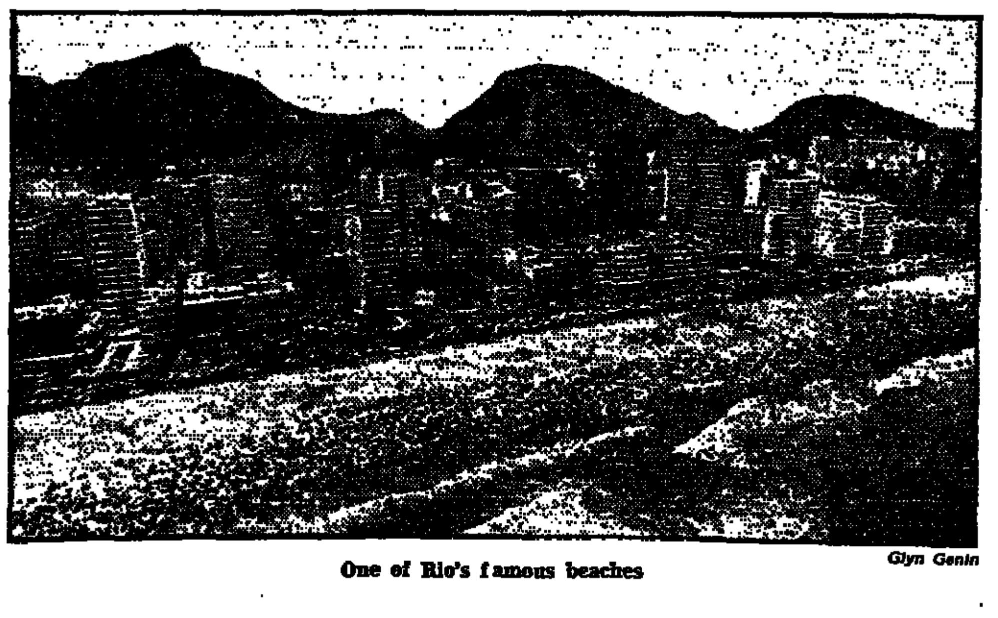
*Before the Air Pass* was available, 57 per cent of all tourists came just to Rio. The launching of the service was the crucial link in Embratur's project to *promote new areas.*

Some years before the pass was even thought of Brazil set about creating the infrastructure necessary to attract tourists. *The* Government, through Embratur, offered fiscal incentives such as an exemption of 70 per cent of income tax for 10 years to those companies investing in ventures such as the construction of hotels, marinas and wildlife parks, and tax deduction to companies willing to put their funds into specific *regions, such as* the *Amazon* and the North East.

It is not just the package tourist the country is aiming to attract. Five convention centres *have* been built in Rio, Sao Paulo, Recife, Brasilia and Bahia accommodating from 2,000 to 8,000 in a bid to persuade businessmen to meet *in Brazil.*

"We spent most of the 1970s creating and consolidating the necessary infrastructure," Sr Tavares says. "Now we're concentrating *on improving* the facilities and promotion."

For all the words, the figures do not appear to indicate that the Government is giving tourism top priority. *Embratur* has been allocated a promotional budget this year of U.S.$3.5m. "Ideally we'd like U.S.$12m," Sr Tavares said wryly.



Glyn Genin

One of Rio's famous beaches

# From Rio to the Amazon

BRAZIL HAS five regions—the north, northeast, southeast, central west and the south.

*The* Amazon dominates the northern region. It represents 40 per cent of Brazil's territory and not surprisingly averages only one inhabitant per square kilometre. It is a region where nature prevails.

The people of Porto Velho still talk about the railway *line that* never *succeeded* in cutting through the forest to Bolivia. The first station on the ill-fated line still stands.

Two cities dominate, both *of which prospered during* the days of the rubber boom in the late 1880s and early 1900s. Manaus, the city rising out of the centre of the *jungle, is famous for its* Amazonas Theatre and free trade zone; Belem, founded in 1616 and the principal port for the rubber, for its baroque churches and *stately* mansions.

The cradle of Brazilian civilisation is the northeast. Pedro Alvarez Cabral first set foot *on Brazilian soil* at what is now the city of Porto Seguro. The origins and architecture of the Portuguese, and of the later *Dutch* and French arrivals, are preserved in the region's colonial cities of Salvador, Recife, Sao Luis, Olinda and Maceio.

Salvador, known as black *Brazil, is* the heart *of* the plantation sector. It was here that the British brought shipleads of black African slaves when the worldwide demand for sugar cane grew.

The southeast region is, for most tourists, the *introduction* to Brazil. The country's two biggest cities are *here: Rio,* set on a narrow strip of land between the spectacular beauty of the mountains and the sea; and Sao Paulo, the centre of *industrial* and business Brazil and the most populous city south of the Equator.

Like many big cities, part of the beauty of Rio is the speed with which one can leave it. The drive from the city down the Angra dos Reis coastline to Parity could be included on any traveller's "*most beautiful*" *list.*

During the 1700s Parity was the second most important Brazilian port, shipping incalculable amounts of gold and precious stones to the Portuguese court. When new routes were discovered it lost its importance and remained virtually *forgotten* until the beginning of this century.

The gold that left from Parity came from the state of Minas Gerais, the historical heart of Brazil's mining industry. The capital of Minas *from 1823 to 1897,* the hillside city of Ouro Preto (black gold) reflects in its churches and palaces the immense wealth of that period.

The *central west is the* home of the huge cattle ranches and of Brasilia, the country's purpose-built capital. Some 24 years after its inauguration, it still *appears as* characterless as a futuristic Meccano-built city.

The southern region is known for coffee and beef, and was the area most *sought* by the Italian, German and Polish immigrants. At Iguacu, the border town where Brazil, Paraguay and Argentina *meet,* are the Foz do Iguacu, the largest falls in the world. Some of the 250 waterfalls are almost 100 metres high.